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NEWS SUMMARY

GENERAL

Zambia arrests: plot rumours

The Zambian authorities have arrested at least 12 prominent citizens, including a former Cabinet Secretary, in a tough security operation.

There is speculation that the Government moved to forestall a coup attempt. No official explanation has been given for the arrests.

Home Affairs Minister Wilted Phiri said "mopping-up operations were continuing. Back Page

Nuclear protest

About 50,000 demonstrators marched through London on a nuclear disarmament rally.

Hostages debate

Iran's Parliament adjourned without deciding the fate of the U.S. hostages. A debate on the issue is expected to resume today. Back Page

Missile attack

More than 100 people were killed when Iraq fired Soviet-made missiles at residential areas of Dezful, Iran. Iraq warns U.S. not to arm Iran. Page 2

Refugees killed

Soviet-built helicopter gunships killed three Afghan refugees and wounded seven in attacks on two refugee camps in Pakistan on Friday, said UN officials.

Union ignored

Two Cunard passenger ships—the QE2 and Cunard Princess—sailed on schedule at the weekend despite trade union pressure to delay them. Page 4

Prison row

Prison officers at Camp Hill jail on the Isle of Wight may take legal action against their governor who has threatened to discipline them unless they start supervising working parties and workshops.

Board watchers

Civil servants will seek to increase their knowledge of business affairs by attending board meetings of three major companies' subsidiaries. Back and Page 9

Los Rodeos move

Los Rodeos airport on Tenerife, scene of the world's worst air disaster three years ago, will be closed to international passenger traffic from November 1. Flights will use the island's new Queen Sofia airport.

Blasts in Israel

Palestinian commandos claimed responsibility for two bomb attacks in Israel. At least 16 people were injured.

Scott expedition

British mountaineer Doug Scott has led a group of West European climbers to the top of 25,060-foot Makalu-II in the Himalayas.

Slippery silver

A $660,000 silver sludge shipment was stolen in July while in transit from Britain to a U.S. photographic company, said the Federal Bureau of Investigation.

Briefly . . .

Major changes in the home improvement grant system take effect from today. Page 4

Basque separatists released an industrialist they kidnapped last week.

Israeli President Navon arrived in Egypt for a state visit. Page 2

BUSINESS

S. Korea bank seeks loan of $600m

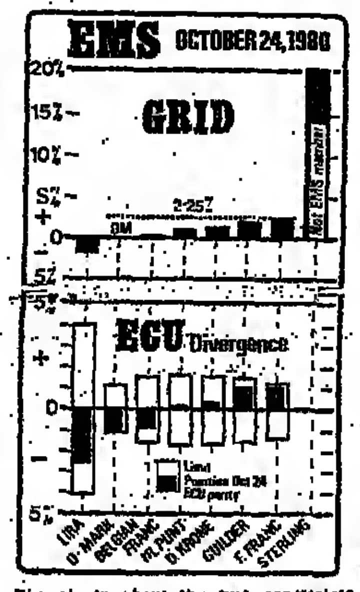
● KOREAN DEVELOPMENT Bank will raise a $600m (£245.9m) Eurocredit, South Korea's first major international borrowing since this summer's political unrest. Page 20

● BRAZIL turned to West Germany to raise financial credits linked to export credit borrowing. Page 15

● STERLING and the dollar strengthened against European Monetary System members last week because of high interest rates in London and New York. The Swiss franc was also firm against EMS currencies, but the yen—in spite of signs of an upturn in the Japanese economy—showed little change.

In the EMS, the French franc was again the strongest currency and the Italian lira the weakest, although it was well within its extended divergence limit.

Denmark's central bank took advantage of the krone's comfortable position in the middle of the system to cut bank rate by 1 per cent to 11 per cent on Friday. Concern about West Germany's current account deficit, and economic stagnation which may be countered by a cut in interest rates, continued to depress the D-Mark.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system (bound by the 2¼ per cent limit), defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● ARTHUR SCARGILL called on union leaders to start fighting for the miners' 35 per cent wage claim. Page 4

● FT GROCERY PRICES index fell in October for the third month running. Page 3

● UK PRODUCERS' share of the domestic electrical appliance market increased 5.8 per cent in value in August. Imports were down by 22 per cent. Page 3

● SOUTH KOREA'S share of the UK black and white television market will be 7 per cent next year. It had requested 20 per cent. Page 2

● CAESAR'S WORLD chairman and vice-chairman resigned so the U.S. gambling and entertainment company could acquire a full licence for its Atlantic City, New Jersey, casino. Page 20

● EUROPEAN FERRIES' chairman sold nearly all his 135,000 shares in the company. Page 14

● RIO TINTO MINING (Zimbabwe) is making offers for Empress Nickel Mining and Riotrust. Page 14

● KOBE STEEL, Japanese steelmaker, forecasts a 30.7 per cent increase in first-half pretax profits to Y30bn (£59m). Page 20

CONTENTS

Civil Service pay comparability reports may be suspended

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT is considering suspending the Civil Service's pay research comparability reports for this year because the reports will suggest much higher pay settlements than the amount provided for in the forthcoming cash limits for the service.

A decision to stop delivery of the reports, likely to be announced in the next week or so, will infuriate the Civil Service unions. In anticipation of an announcement, they are considering bringing forward their contingency plans for industrial action.

Suspension would effectively remove the principle of comparability from the main arena of public sector pay deals, following the abolition earlier this year of the Clegg comparability commission. The Government considers comparability principles inflationary and discredited.

Ministers told Civil Service union leaders in August cash limits would be the main determinant of pay increases for the 550,000 white-collar civil servants. The usual process of pay comparability, based on the reports of the independent Pay Research Unit, annually compares civil servants' pay and conditions with those of employees elsewhere.

The future of the Pay Research Unit is unclear. Ministers and senior Civil Service Department officials increasingly believe the unit's findings could provide the unions with a weapon against the single-figure offer expected within the cash limit.

CSD officials proposed at a meeting with Ministers 10 days ago that delivery of the unit's reports should be halted this year, though the work is largely completed. In some cases the reports are ready for collection.

Ministers fear this would still give the unions ammunition, since it would entail breaking the present pay agreement. Paragraph 13 of the 1974 agreement, still in force, states that the unit must deliver its report to CSD and the unions by November 15. A firm decision is thought to have been reached at a further meeting last Friday.

The position has been exacerbated by a division in CSD over strategy, between hawks including Sir John Herbecq, Second Permanent Secretary, and a more moderate group, centred around Mr. Gordon Burrett, Deputy Secretary with responsibility for pay.

The hawks seek the complete suspension of the unit for this year, as last occurred in 1975 under the Labour Government. The moderates say the unit should maintain its continuity but its reports ought to be discounted.

There is speculation that CSD might not be able to force the independent unit to withhold its report without suspending it fully. There is discontent among members of the Pay Research Unit Board, established to ensure the correct functioning of the unit, following what they interpreted as criticism by CSD.

This might be enough to fuel a rebellion against any CSD instruction. They say both the unions and CSD are their clients, and the breaking of an agreement by one side should not necessarily stop them delivering the reports to the other.

Many union officials are convinced of CSD's intention to halt delivery of the reports. The all-union indsutar l toniaci...... all-union industrial action co-ordinating committee has thus already begun to consider bringing forward plans for a campaign of action against what it would regard as a breach of the pay agreement by the Government.

The unions have already earmarked over £2m to fund any action this year. The last major bout of industrial action by civil servants during the 1978-79 "winter of discontent" seriously disrupted business and Government cash flow.

Enforced prevention of the reports' appearance could tip the scales against the pay research system far enough to cause the largest unions to withdraw from the system entirely.

Ministers may clash over curbs on spending

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

TREASURY MINISTERS face the most serious resistance in the lifetime of the present Government to the proposed new spending cuts.

Some Ministers appear to be ready to use the threat of resignation as a bargaining counter in the negotiations over spending for next year.

The Treasury may also encounter serious opposition from some Tory MPs returning to Westminster this week after a long recess in which they have become increasingly uneasy about the impact of Governmental policies.

Reports last week that the Treasury was trying to cut defence spending has shaken the nerve of some Right-Wing MPs traditionally most enthusiastic in their support of public-spending cuts.

The Prime Minister and Mr. Francis Pym, Defence Secretary, face hostile questioning from some backbenchers tomorrow on defence. Officers of the back bench Defence Committee will see Mr. Pym tomorrow night to demand an assurance that the Government will stick to the NATO commitment of increasing defence spending by 3 per cent a year.

The Treasury appears, however, to have the support of the Prime Minister in its new drive for spending cuts.

Its hand may be further strengthened by the fact that the dissenting Ministers are divided among themselves as to where the axe should fall. The Opposition may prove ineffective for the same reason.

Nevertheless, Ministers will have to work hard at stiffening their backbenchers' resolve in the light of recent events. Some in marginal seats were already worried about unemployment and the state of industry.

Reports of a major new drive on public spending made some even more nervous, though others, some very vocal indeed, will welcome the further cut.

Ministers have known for about a month that the Treasury believed further cuts of perhaps £1.5bn would be necessary above those in the Government's medium-term plan.

At last week's Cabinet Treasury Ministers detailed the bleak forecasts behind this request for more cuts.

It was clear from the debate which followed that some Ministers were very dubious indeed about the wisdom of cutting capital spending further at a time when unemployment showed all the signs of increasing further and the private sector was already suffering from the cut in Government purchasing.

Since the Government took office a minority of Cabinet Ministers have made little secret of their doubts about the Treasury's approach.

But there are some indications that their views may be gaining support among those Ministers who have until now broadly kept out of economic arguments.

Rodgers warns of poll defeat if Foot wins. Page 3

More aid to industry considered

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE CONCERN of manufacturing industry about the increasing damage which the recession is causing to companies of all sizes will be stressed on Wednesday when the Confederation of British Industry publishes its quarterly trends survey and presents an overall picture of continuing decline in business prospects.

This coincides with fresh consideration by Ministers of how to provide increased selective aid for industry. They are likely to concentrate on making greater use of existing funds for research and development and for investment in export opportunities.

Although there is the prospect of interest rates being reduced in the next few weeks, Ministers have accepted that they must also look for other ways of easing industry's path through the recession, including help for small businesses.

But public spending constraints mean that little if any fresh cash is likely to be allocated for some time, and there will be no cancellation of the regional development grant moratorium.

The only mildly optimistic note in the CBI's trends report wil be patchy indications that the rate of decline on some fronts is slowing down. There are a few reports of a reduction in the rate of destocking and of the decline of order books

The numbers of orders being booked by manufacturing companies are still falling, however, as are the numbers of people being employed.

There are also growing worries about exports, fuelled by the level of sterling of a few weeks ago. The survey was conducted before last week's sharp rise in the exchange rate which led to considerable concern among Ministers about the impact on exports.

The CBI's six-monthly survey of corporate liquidity will also be included in this week's report. As indicated by Central Statistical Office figures last week, this is expected to show that companies are coping with their liquidity problems better than had been expected because of destocking and extensive cuts in investment.

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Lombard, Page 10
Electrical appliances, Page 3

Bleak year foreseen by IATA

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CURRENT year is expected to be "the bleakest year in international aviation history," with little improvement likely in 1981.

The world's airlines are experiencing the combined effects of recession, inflation, increasing fuel costs "and a market distorted by erratic currency developments and unco-ordinated regulatory policies," according to Mr. Knut Hammarskjold, director-general of the International Air Transport Association.

He is also worried whether, under this "massive cost onslaught," aviation technology can produce the developments needed to help bring costs down. Costs, and hence fares, are at levels which are "seriously threatening to affect market demand."

In his annual report on the state of the world air transport industry, which he will present to the annual meeting of IATA's 103 member airlines in Montreal today, Mr. Hammarskjold says airline finances are grim.

The IATA airlines were aiming for an average 13 per cent return on investment in 1979, he says. They managed only 2.1 per cent before paying interest. After interest many incurred losses.

"On the North Atlantic, where passenger traffic grew 16 per cent and revenues 27 per cent during the year, against a moderate capacity interest of 8 per cent, the carriers needed another $800m in revenue to reach the required return.

"These are serious times for the industry. It is broadly estimated that it is almost $4bn short of a level of earnings that would put it on a financially competitive footing in the capital market.

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MPs to quiz Howe on money supply

By Peter Riddell, Economics Correspondent

SIR GEOFFREY HOWE, the Chancellor, is likely to face highly critical questioning this afternoon from an all-party committee of MPs about the Government's monetary record.

The Treasury and Civil Service Committee of the Commons, under the chairmanship of Mr. Edward du Cann, Conservative MP for Taunton, is due to see the Chancellor as part of its inquiry into monetary policy, "with particular reference to the implication of recent money supply figures."

This refers to the 8 per cent jump in sterling M3, the broadly-defined money supply, in July and August.

Yesterday two members of the committee said on the BBC World this Weekend programme they would press a wide range of points with the Chancellor.

Dr. Jeremy Bray, Labour Motherwell, said he wished to question the basis of current monetary policy.

Mr. Terence Higgins, Conservative, Worthing, said he wanted to examine the relationship between the money supply and public sector borrowing and Government proposals for public-sector pay.

The hearing comes at a time when there is growing concern among policy-makers about the impact on industry of the sharply rising pound.

This has strengthened pressure for a cut in interest rates, though an early reduction depends on whether the October monetary figures, available to the authorities later this week, provide any indication of a slowing in the rate of monetary growth.

Sir Geoffrey's comments will also be watched closely by the City markets, which will anyway have to come to terms today with the Bank of England's reminder to the banks of the need to maintain the minimum 12½ per cent reserve asset ratio at all times and not just at each monthly reporting date.

The Bank has written to all banks saying that spot checks may be made to ensure that the ratio is maintained.

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Sir Geoffrey in the hot seat, Page 12
Every day a make-up day, Page 4

Japanese likely to back EEC trade agreement

BY GILES MERRITT

MR. SABURO OKITA, Japan's special trade representative, is expected to express cautious support today for a new Japan-EEC trade pact along the lines proposed earlier this year by the European Commission.

Mr. Okita, who begins talks in Brussels today, said in an interview with the Financial Times in Tokyo that the Japanese Government now recognised that a number of key European industries "need a breathing space" in which to restructure.

He will therefore express qualified interest in the "trade strategy" put forward last July by the Commission as a means of improving the worsening trade relations between the EEC and Japan.

But Mr. Okita stressed that Japan could consider self-restraint on exports of motor cars and electronics good only in return for credible undertakings by the EEC that restructuring would take place.

Today's talks between Mr. Okita and senior EEC officials are not intended as negotiations, but both Brussels and Tokyo hope they will lead to discussions which could yield a new trade relationship between Japan and the EEC by 1981.

Mr. Okita has said Japan is "very seriously concerned over the possibility of EEC protectionism," and appreciates the social and political problems caused in the EEC by the present surge in Japanese exports.

His intention to signal Japan's interest in an export-restraint pact is expected to give fresh impetus to the Brussels Commission's own efforts to secure a negotiating mandate from the EEC member-Governments. When the EEC Council of Ministers examined the Commission's Japan strategy three months ago, both France and Italy objected to the trade concessions that would be required of the EEC.

Broadly, the Brussels proposal is that in return for export restraint by Japan for up to four years on "sensitive" products, the EEC abolish the 60-plus national quantity restrictions still imposed on various Japanese goods by some EEC Governments in defiance of the General Agreement on Tariffs and Trade.

Though EEC officials believe that removal of French and

Continued on Back Page

Emergency talks to end steel deadlock

BY GILES MERRITT IN BRUSSELS

The EEC Industry Commissioner, held emergency talks in Brussels yesterday with representatives of Europe's special steels producers.

This follows an inconclusive meeting of EEC Foreign Ministers in Luxembourg on Saturday at which special steels emerged as the chief obstacle preventing the West German Government from accepting a nine-month programme of mandatory steel production cuts to be policed by the Brussels Commission.

West Germany is insisting that special steels must be excluded, while the UK and Belgium are reported to have argued that such a distinction would be unacceptable.

The stalled Luxembourg meeting yielded only an agreement for a further council session to take place there on Thursday.

M. Davignon's meeting with the special steels producers is understood to have been aimed at securing agreement on a definition of special steels before the continued ministerial talks.

British Government sources have suggested that German definitions of special steels could encompass up to 40 per cent of all steel products and that their exclusion would render the cutback programme useless.

The European Commission, however, puts the special steels proportion of all EEC steel output at 15.5 per cent.

West Germany's opposition to the tough new production disciplines to be imposed on the European steel industry has begun to provoke criticism from the Brussels Commission as well as from other member states where the crisis in steel is causing serious damage.

The abortive Luxembourg talks marked the Bonn Government's third refusal since October 7 to accept the new controls.

OVERSEAS NEWS

Mitterrand silent on nomination

By David White in Paris

M. FRANCOIS MITTERRAND, the French Socialist leader, haa once more put off committing himself on whether to seek the Party's nomination for next year's Presidential election.

He was to have announced bia decision in Marseilles yesterday, a week after a challenger, M. Michel Rocard, backed by the party's right wing, declared publicly that he would run. But M. Mitterrand said instead ha would wait until the party's management committee met to discuss candidacies on November 8. Members are due to choose a candidate on January 25, barely 11 weeks before the official campaigning fortnight.

For M. Mitterrand, who was 64 yesterday, next year would probably be his last chance of trying for the presidency, which ha ran for in 1965 and in 1974.

A third leading figure, M. Jean-Pierre Chevenement, head of the left-wing CERES faction which represents abzout a quarter of the party, has said he will run if M. Mitterrand drops out.

In the Gaullist RPR party, the situation is also becoming complex. While party leader M. Jacques Chirac haa strongly hinted he will be running, he faces a fresh challenge in the form of Mme. Marie-France Daraud, 46, a former adviser to President Pompidou.

Another former adviser to M. Chirac, M. Yves Guena, who quit his post in March last year, bas joined a list of 150 personalities supporting the former Gaullist Prime Ministar, M. Michel Debre, who is running as an independent.

Abortion row casts shadow over Forlani

BY RUPERT CORNWELL IN ROME

A ROW between the two major coalltion partners over abortion has cast a shadow over the prospects of the Italian Goverooment of Sig. Arnaldo Forlani, during the debate Intended to sanction its approval by Parliament.

The four-Party Administration of Christian Democrats, Socialists, Social Democrats aod Republicans won a confidence vote by 362 to 250, helped by the abstention of nine Liberal Party deputies.

The occasion was marred by bitter exchanges on abortion by lhe Christian Democrats and Socialists, which might have repercussions on the survival of the Government if, as seems likely, separate national referenda are held next spriog either to repeal or to strengthen tbe country'a existIng abortion law.

Repeal is hacked by Italian Catholics and the Cbristian Democrats, wbile proposals to keep the present legislation are supported by the Socialists and other "lay" parties.

The speech of Sig. Bettino Craxi, the Socialist leader, during lhe debate this waekend, surprised obsarvers. He launched an attack on the church for its "outdated fanaticism" in encouragiog the referendum to abolish the law permitting abortion, and thus interfering in Italian affairs.

Sig. Craxi suggested that Polish-born Pope John Paul II, who recently publicly urged Italians to "rediscover their faith and conscience" and ban abortion, was unable to grasp the realities of Italian life.

Sig. Arnaldo Forlani . . . prospects threatened.

But after a hasty rebuttal by Sig. Flamino Piccoli, the Cbristian Democrat leader, his remarks were condemned yesterday. The Vatican newspaper expressed its "astonishment and grief" that Sig. Craxi bad spoken so disrespectfully

His outburst is taken as further proof of bis aim to establish as independent a stance as possible for the Socialists.

But it also underlines how precarious in these circumstances is the alliance between Christian Democrats and Socialists

New cabinet formed in Lebanon

By Ihsan Hijazi in Beirut

A NEW Lebanese Cabinet has been formed to replace the caretaker government of Mr. Selem Al Hoss, the Prime Minister, which resigned in June.

The 22-member government is beaded by Mr. Chafik Al Wazzan, a Moslem lawyer from Beirut, and includes parliamentarians and technocrats.

Five Ministers have been retained, Including Mr. Fuad Butros, Foreign Minister, a friend and adviser to President Elias Sarkis. Several newspapers yesterday dobbed the new government that of Mr. Sarkis because several members are the President's friends.

Mr. Sarkis, the Christian Maronite head of state, has two years more to serve of his six-year term. While conditions in the country have improved considerably since his election at the end of the 1976 civil war, Lebanon remains divided on the ground, and national entente is lacking.

None of the Christian or Moslem militias is represented in the Cabinet, the majority of whose members are generally regarded as traditionalist politicians

The main purpose of the new Government will be to fill a power vacuum which existed since Dr. Hoss resigned.

The Government faced its first problem when one member, Mr. Mounir Abou Fadel, vice-speaker of Parliament, said he will not serve in the capacity for which he was chosen. He is one of five state Ministers without portfolio.

Iraq warns U.S. not to arm Iran

BY ROGER MATTHEWS IN BAGHDAD

IRAQ HAS again warned the U.S. against resuming arms shipments to Iran. Dr. Saadoun Hammadi, the Foreign Minister, said in a statement released yesterday that any country supporting Iran should not expect Iraq to stand by with arms crossed.

The statement was issued soon after Dr. Hammadi had summoned to the Foreign Ministry the beads of diplomatic missions of countries on the United Nations Security Council. Dr. Hammadi told them Iran had started tha war as early as September 4, and that Iraq could not withdraw from the territory it had subseqnently occupied until Tehran answered its "just demands."

As the war enters its sixth week, unofficial estimates indicate that between 1,000 and 1,500 Iraqis have been killed, with perbaps three times that number wounded. The recent increase in admitted causualties has been caused by the belated decision to complete the capture of Khorramshahr and to press on towards the oil refinery city of Abadan.

The longer the Iraniana resist a ceasefire, the more likely it is that the political leadership in Baghdad will feel it necessary also to take Dezful and Ahwaz, the two other key towns in Khuzestan province. The cities are said to be virtually aurrounded.

Dr. Hammadi, speaking to foreign diplomats, emphasised that Iraq had no ambitions towards Iranian territory, but would not accept any compromise on sovereignty over the Shatt al-Arab waterway and land which should have been returned by Iran under the 1975 Algiers agreement.

Suggestions that Iraqi forces should withdraw from the additional occupied Iranian land were impossible for two main reasons, Dr. Hammadi said. First, because previous border agreements bad been abrogated and no clear boundary now existed and second, because there were no security guarantees that Iran would not attack again.

John Wyles adds from Brussels: European Community Foreign Ministers meeting In Luxembourg this weekend expressed concern that no end was in sight to the war, but agreed that the Community could do little to settle tha conflict.

Mr. Hamed Alwan, Iraq's Minister of State for Foreign Affairs, sent a letter to M. Gaston Thorn, President of the Council of Ministers. One interpretation was it was aimed at dissuading European states from aelling arms to Iran.

Israeli President visits Egypt

BY ALAN MACKIE IN CAIRO

ISRAEL'S President Yitzhak Navon arrived in Cairo yesterday at the start of a five-day stata visit personally arranged by President Sadat to giva at least visual substance to tha normalisation of ralations between the two countries.

As Presidant Navon is only a constitutional head of State, the visit is not expected to produce any new developments on the stalled Palestinian autonomy talks. Negotiations on tbe reactivation of the talks began in Wasbington earlier this month.

Israel has reportedly been less than happy with the tempo of normalisation, despite a personal intercession by President Sadat to speed it up.

He has personally instructed that Israeli visa applications be processed more quickly, but this move has been countered by an Egyptian ban on Israeli tour operators flying direct to St. Catherine's monastry in Sinai

Strike may follow Solidarity talks

BY CHRISTOPHER BOBINSKI IN WARSAW

TODAY'a meeting of the national committee of Solidarity, Poland's largest indepeodent union, in Gdansk, could decide on some form of strike action against action by tbe authorities

On Friday the Warsaw district court—finally—registered the union, but unilaterally inserted a clause into tbe nnion's articles of registration which said Solidarity recognised "the leading role of the (Communist) Party in the State." The union will appeal to the High Court against the district court action and meanwhile it is refusing to bonour the change in its atatute.

On Saturday, the bead of the Warsaw branch of Solidarity, Mr. Zbigniew Bujak, told a delegates meeting that "we can't make concessions on this issue

Press told to register by Salisbury

By Our Salisbury Correspondent

ALL FOREIGN correspondents working in Zimbabwe have been ordered to register with the authorities and be issued with Temporary Employment Permits.

The Government said accreditation will take place tomorrow and journalists who fail to register with the Ministry of Information will be liable to a fina of Zimbabwe $1,000 (£660) or two years in jail, or both.

S. Korea torture claim

Thrae defendants at a South Korean appeals court martial alleged that sedition charges against them resulted from torture, intimidation and fabrication, Reuter reports from Seoul. The allegations came in a hearing of appeals by former Presidential candidate Kim Dae-Jung against a death sentence and 23 co-defendants against various priaon terms.

Eurocredit—Page 20

Peru copper hit

Peru has postponed delivery of some copper sold in foreign markets due to strikes in the country's most important mines, AP-DJ reports from Lima.

UN move on reporting

A United Nations conference committee bas approved a resolution aimed at re-shaping the way the world's news is reported, but did not vote on it and some Western delegates were uneasy about certain recommendations, Reuter reports from Belgrade.

India constitution 'debate'

INDIA'S Prime Minister, Mrs. Indira Gandhi, has created a stir by asking for a national dcbate on whether the present system of parliamentary democracy on the Westminster model is suitable for the country.

The suggestion was made at a conference of lawyers in New Delhl at the weekend, where a proposal for the introduction of a Presidential system of government, as a means of strengthening the executive, was widelyl discussed.

Such a proposal was first made during Mrs. Gandhi's emergency rule between 1975 and 1977. Then tbe plan was to amend the constitution and model it on tbe French system so that the President could not be challenged.

Mrs. Gandhl is known to be unhappy with the way the present syste mis often paralysed by popular agitations uver which the government has no control. A major example is the 11-month agitation in Assam, in northeast India, which students have decided to revive from today following the fallure of their talks with the Government on their demands for deportation of "forelgners."

Jimmy Carter's tendency to actually answer questions

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

EVERY POLITICAL candidate haa what comes to be known as "the speech," a well-honed encapsulation of views and policies. President Jimmy Carter, on the other hand, who is not, with rare exceptions, a good set speaker, serves up what can only be described as "the patter."

On Friday and Saturday he took his act on the road to three states for much-needed practice before his most important engagement of the election year—tomorrow night'a televised debate with Ronald Raegan, the acknowledged master of the electronic medium.

Mr. Carter chose the forum at which he can excel, the so-called "town meeting," where he answers questions from local citizens: Three performancas, in front of the relatives and friends of a local bricklayer called Raffety in Gloucastar City, New Jersey, at a public library in Wyoming, Michigan, and a high school in Toledo, Ohio, provided a pretty fair example of what the President will aay tomorrow night and how he will say it.

The most striking aspect of the Carter approach is that, more than most politicians, he actually tends to answer questions.

Thus, when asked, as he frequently was, about the viability of the social security system, he begins by stating his commitment to it, lists his achievements, moves on to noting that Mr. Reagan ooce said social security contributions should be made voluntary, throws in bis opponent'a past antipathy to the minimum wage and unemployment insurance, and winds up by arguing that the Democratic Party has been the author of the most important social legislation.

On the economy, the argument is that inflation is better tban it was, that bis Administration bas created millions of new jobs, that OPEC is the inflationary villain, but at least the U.S. now has an energy policy, under his direction, and that improvement ahould not be jeopardised by recourse to his opponent's simplistic and potentially inflationary tax cut policies.

But there is also a tension. When asked an hostile question, bis smile freezes at its widest, giving the impression that his teeth are being bared in defiance. The television camera can magnify this to a disturbing degree. Nor is there much offsetting lightness of touch or humour. And, in stark comparison with 1976, Mr. Carter offers np little of the visionary these days, so preoccupled is he with painting the dangers of a Reagan Presidency in bleak colours.

WORLD TRADE NEWS

Loan agreed for gas project in Argentina

By Charles Batchelor in Amsterdam

A LARGELY Dutch banking consortium has agreed to provide a Fl 1.1bn (£234m) project of linked credit to finance a gas pipeline project being carried out in Argentina by the Bos Kalis Westminster group.

Negotiations are continuing with a consortium which will include a number of non-Dutch banks over the remaining Fl 600m financing needed. This slice of the funding will probably take the form of a dollar loan, according to Amsterdam-Rotterdam Bank (AMRO), joint leader with Lloyds Bank International, of the first credit.

The credit agreement haa been signed between the consortium, coomprisiog eight leading Dutch banks aside from AMRO, aod Cogasco, a newly formed company in which the Bos Kalis subsidiary, NACAP, has a 70 per cent stake. The remaining 30 per cent is held by two Argentinian contractors, Tesca and Panar.

The Fl 1.1bn credit has been insured with the Netherlands Credit Insurance Company (NCM) and can be taken up in tranches as the work progresses. It is intended to finance the purchase of Dutch capital goods and services.

Bos Kalis and its Argentinian partners are building 2,000 kilometres of pipeline and associated pumping equipment linking a gas field at Neuquen with a number of provincial capitals, for the state company, Gas del Estado.

Thailand credit for boats

THAILAND IS raising $100m through a Eurocredit to buy two patrol boats from Italy to improve security in the Gulf of Thailand, banking officiala said, Reuter reports.

The eight-year credit is being lead managed by Manufacturers Hanover and carries interest at between 7 and 6 per cent above London interbank offered rates, Libor, with a three-year grace period.

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Taiwan rejects fake parts charge

BY DAVID HOUSEGO IN TAIPEI

THE TAIWAN Government bas claimed that it haa virtually stopped the shipment from Taiwan of counterfeited components bearing well known European brand namea for use by the motor Industry and European and other markets.

Mr. H. K. Shao, head of the Board of Foreign Trade, sharply rejected allegations by West European manufacturers of large-scale counterfeiting by Taiwan of components, accessories and garage equipment, which is said to be costing UK and European manufacturers £100m in lost sales.

But he conceded that there had been abuaes last year and that complaints had been received from the U.S., Africa and the Middle East as well as Europe.

Noting that the Taiwan Government bad taken administrative and legal measures to prevent counterfeiting, he called on manufacturers and suppliers abroad to come forward with detailed information on cases which came to their notice.

This would enable the Goverooment to initiate detailed investigations. "We want facts and certified documents, otherwise it is useless," he declared.

Foreign observers here are sceptical of the claim to have stopped the faking which has caused such an outcry in Europe, and the matter is certain to be brought up by members of the Commons Select Committee on Industry and Trade wben they see Mr. Shao.

But it is also thought Taiwan is indeed seeking to check the counterfeiting, which is giving it a bad name when European governments are concerned about the deteriorating two-way trade balance.

Mr. Sbao put much of the blame for the counterfeiting, under such brand names as Lucas, Lockheed, Ferodo and Quinton Hazell, on the British and European importers.

He said the importers placed orders with Taiwanese manufacturers to make copies from samples provided, and the manufacturers did not know that the trademark had been counterfeited.

Government measures to prevent manufacturers from improperly using trademarks provide for imprisonment of up to two years and the suspension or loss of their import and export licence, which could put them out of business, Mr. Shao said.

But he could only cite one prison sentence this year for a conviction arising from the counterfeited manufacture of motor parts. This was a sentence of four months for faking Toyota parts.

Further, he declared that reports of losses of £100m by European manufacturers were exaggerated and unfair.

Textile producers fail to agree on MFA

BY BRIJ KHINDARIA IN GENEVA

TEXTILE TRADING countries meeting to review the working of the Multi-Fibres Arrangement (MFA) have failed to agree on whether the accord is worth preserving and their final report is unlikely to reach any firm conclusinn.

The talks are a prelude to the scheduled re-negotiation of the MFA in December. The MFA governs world trade in textiles and clothing.

But, on the insistence of Third World countries, the secretariat of the General Agreement on Tariffs and Trade (GATT), which sponsored the MFA, will prepare a new study on how well it has worked.

GATT's Textile Surveillance Body monitors the MFA and it reports that the number of curbs by big industrial nations against textiles and clothing imported from the Third World has increased significantly since the current MFA came into force in 1977.

Most of the restrictions are applied by the EEC, Sweden, the U.S., Austria, Canada and Finland. The five-year arrangement which followed the first MRA concluded in 1973, expires at the end of next year.

The Community strongly defended import curbs at last week's meeting. Illustrating its troubles, the EEC said its imports of clothes increased by 266 per cent and of textiles by 188 per cent between 1973 and 1979.

Its textile and clothing trade deficit with developing countries widened fourfould to $5.23bn (£2.15bn) in the same period, while the employment index for the industry fell by one quarter from 100 in 1973 to 77 last year.

The changes happened at a time of near stagnation in the domestic industry. Consumption grew by only 1 per cent last year while production dropped by nearly 3 per cent.

Sr. Felipe Jaramillo, the Colombian Ambassador, speaking for developing countries, said that in 1978 alone the Third World bought $4.4bn worth of Western-made textile fibres, chemical dyes and textile machinery. In view of its growing textile sector purchases, it deserved a better deal for exports.

A new report by GATT's Secretariat aays textile and clothing industries in richer nations suffered "slow growth, stagnation or decline of production accompanied by a marked fall in employment."

Between 1973 and 1979 employment fell by 4.5 per cent a year in the Community and other Western European countries, although the biggest drops came before 1976. But labour productivity increased by almost the same percentage because of better technology and management.

The clothing trade deficit of all industrialised countries with all developing and Eastern European countries increased fourfold to $8.6bn between 1973 and 1979, the report said.

Syrian market opens as Gulf boom slows

BY PAUL CHEESERIGHT

BRITISH BUSINESSMEN are being urged to turn their attention to Syria and to take advantage of the opportunities which will be afforded when the Damascua Government announces shortly the details of its next Five Year Plan.

The official line is that the initial boom in Saudi Arabia and the Gulf is over and that there should be a search for other Middle East markets, where the pace of growth is likely to be steady, if lesa spectacular. Syria meets these criteria, and its gross domestic product has been rising at 8 per cent a year for the past decade.

The urging has come not only from the Government—Mr. Cecil Parkinson, the Minister of Trade, will visit Syria next year—but also from the Syrian Government itself.

Dr. Mohammed Al-Atrash, the Minister of Economy and Foreign Trade, was in London last week—the first senior Syrian minister ever to talk to British businessmen. "Trade exchaoges have not yet reached the desirable levels one would like to see," he told members of the Confederation of British Industry.

The total value of the two-way trade in the first three-quarters of this year was just £64.8m and distioctly in the UK's favour. But UK exports to Syria have been static, running between £57m and £67m a year. The UK share of the total import market is about 3.5 per cent.

Dr. Al-Atrash was at pains to stresa that the Syrian economy is mixed and that the agriculture sector was predominantly in the hands of the private sector. "We are trying to use the price mechanism more vigorously," he said.

He also noted that the Governmeot was moving from quotas and prohibitions on imports to a tariff regime.

Both of these geoeral statements are significant in terma of the search for business during the Five Year Plan.

The first phase of the plan will be a consolidation of the hurriedly undertaken projects of the plan just finishing.

But as the new plan develops, there will be greater scope for project managemeot, and this is an area where UK business has been conspicuous by its absence.

But there will be a sbift from the large projects of the past and an emphasis on smaller ventures with shortar gestation periods.

S. Korea to increase TV sales to UK

By Anne Charters in Seoul

SOUTH KOREA will be permitted to sell more black and white televisions to the UK next year, although the allotment is substantially less than it would like.

In talks with the British Radio Industries Council in Seoul, the Electronic Industries Association of Korea requested 20 per cent of the black and white market, but was allocated only 7 per cent, worth $5m. Korea's total black and white television exports for 1979 were $230m.

The toehold in the market for the Koreans could be significantly larger if the Japanese allocation, 230,000 units, were to be reduced and the Koreans awarded the spillover. The Koreans argue that Japan should concentrate more on exporting sophisticated electronic products and leave the black and white market to others.

Because Korean black and white television producers had only models suitable for the UK market after 1976, they have suffered in quota allocations. The first year, 1977, only 35,000 units were allowed.

Since 50 per cent of the UK domestic market is reserved for domestic manufacturers, a higher allocation for Korea would have to be the result of increased consumer demand in the UK or a healthier share of what is allocated to Japan, Taiwan and Singapore, which gets special treatment from the UK, or Thailand, which had an allocation of 40,000 units as of June, 1980.

Producers of black and white televisions in Korea would like to see their UK allocation given the kind of consideration the U.S. gave Korean colour sets for exports to the U.S. from July, 1980 until June, 1982.

The allocation was almost doubled undar a special "latecomer" quota which took into consideration that the Koreans strated with a smaller share of the market because they entered the competition late. Korean colour television manufacturers are ready to produce for the European Market as well.

The association also indicated that Korea would like to expand the amount of electronic components imported from the UK.

Askew rejects Japan tobacco duty offer

TOKYO — the U.S. has rejected an offer by Japan to cut import dutiea on tobacco products and warned of retaliation unless Tokyo opens its market more to foreign interests, U.S. officials said.

Mr. Reubin Askew, the U.S. trade negotiator, rejected as inadequate Japan'a offer to cut customs duty on foreign cigarettes from 90 to 40 per cent, the officials said.

Japan imposes duties of between 60 and 110 per cant on tobacco products, as a result of which the country's stata tobacco monopoly takes 99 per cent of the $10bn (£4.1bn) a year market.

The two sides made little headway on an agreement to provide U.S. companies access to $3.2bn of contracts awarded by the state telecommunications monopoly, a dispute both sides have pledged to settle by tha and of this year.

Mr. Askew told Mr. Zenko Suzuki, the Japanese Prime Minister, and other senior Japanese officiala that Washington would be forced to retaliate unless agreement was reached on tha two issues.

● Mr. Saburo Okita, the Japanese trade representative, has arrived in Brussels for talks with officiala of the EEC to try and ease the trade friction with the region

EEC officials, unconvinced by a visit earlier this month by Japan's deputy Minister of International Trade and Industry, have been pressing Japan to curb exports, especially of cars, colour televisions and other electrooic products. While the Japanese Government has urged self-restraint on industry, company officials doing business with the EEC have said they have no intention of limiting exports.

Agencies

SHIPPING REPORT

Boost for dry bulk cargo

BY OUR SHIPPING CORRESPONDENT

CONFIRMATION of the extent of the shortfall of the Soviet grain harvest and the news of the U.S./China grain deal has added to the confident mood of the dry bulk cargo markets.

Demand for grain ships, at least, look like holding up well over the next 12 months and this is showing through in the freight rate structure.

The key U.S. Gulf/Continent grain rate for ships of around 60,000 dwt has edged up to $15.75 per tonne. For the smaller handy-sized vessels, rates are also firmer. Denhom Coates, for example, reports that the Russians fixed between 12 and 15 ships for Atlantic round tripa last week and rates for 32,000 dwt-35,000 dwt vessels of close to $10,000 per day.

In the tanker market, rates are unchanged for supertankera. The going rate for VLCCs on the normal voyage from the Arabian Gulf to the West, is hovering around Worldscale 30 and for tha larger ULCCs the rate for a similar voyage, appears to be around Worldscale 27.75. For vessels destined for Eastern bemisphere discharge, a premium of 2½ Worldscale points appears to be tha order of the day.

On the problem of who pays for the additional war risk insurance in the Arabian Gulf, John I. Jacobs notes, in its latest weekly tanker report, that most owners are paying the existing premiums and charterers are accepting any additional premiums.

On another matter, Jacobs estimates that 26m dwt of tanker tonnage is tied up as floating oil storaga vessela but notes that a number of tankers are moving back to loading areas before the storage option periods have expired.

FOREIGN EXCHANGE RESERVES (U.S.$m)

	Aug. '80	July '80	June '80	Aug. '79
U.K.	20,350	20,408	20,471	19,000
U.S.	5,836	5,404	5,582	4,798
W. Germany	45,794	45,703	44,176	42,072
France	25,602	25,333	23,829	14,570
Italy	20,845	22,024	19,105	18,808
Netherlands	10,111	9,985	9,306	6,431
Belgium	7,111	7,211	6,147	4,435
Japan	19,191	18,839	18,624	21,137

Rodgers warns of poll defeat if Foot wins

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

THE FIRST real argument over policy in the Labour leadership campaign blew up last night over defence. Mr. William Rodgers, the party's defence spokesman, claimed that if Mr. Micbael Foot became leader bis views on unilateral disarmament could lose the party the next General Election.

The attack by Mr. Rodgers, who is on the far Right of the party, came after Mr. Foot had presented himself on television as the man most likely to bring peace to Labour and peace lo the forefront of British politics.

Interviewed on London Weekend Television's Weekend World programme, Mr. Foot made it clear that he retained his long-held unilateral beliefs and was opposed to the siting of cruise missiles in the UK. He would, he said, "send the missiles back." Labour Right-wingers claimed this went far heyond agreed Shadow Cabinet policy.

The interview came as the Labour leadersbip contest entered a key phase. As MPs return to Westminster after the loog recess, the campaign managers will be able to get a mocb better idea of the support for their candidates. For the first time they will be able to lobby away from the pressures of their largely Left-wing local parties.

On the hasia of lelepbone canvassing, Mr. Healey still looks set to win, though elmost certainly not lo the first hallot whic bbegins this week.

The expectatioo among the campaign managers yesterday was that Mr. Foot would run Mr. Healey a good second and there would be a gap hetween them and other two contenders, Mr. John Silki nand Mr. Peter Shore. The contest will then go to a aecond bellot with Mr. Healey and Mr. Foot competing for the votes from MPa in the centre of the party wbo migbt in the first round have voted for Mr. Shore.

The two will be on show on Wednesday when they lead for the Oppoaition in the Employment debate.

On television yesterday Mr. Foot showed few signs of trimming his views to suit those MPs of the centre. His coofidence and his positive approach may, have assuaged some of the doubts about whether be personalyl wanted to stand or wbether he was merely press-ganged ioto it by the Left.

Defencehas long been a divisive isue within the party. But lhougb Mr. Foot did not actually repeat his commitment to unilateral disaramament in so man ywords, he did not demure wben the interviewer summarised his positioo as being unilateralist. He did, however, stress that it would be preferable to disarm on a multinetional haals.

On the proposed change in the system of electing the Labour leader, Mr. Foot again stressed his readiness lo protect the rights of MPs wbile repeating his hellef lbat it should be possihle to agree a workahle form of electoral college.

Labour MP seeks big Civil Service reforms

By Peter Riddell, Economics Correspondent

MAJOR REFORMS in the organisation of the Civil Service and in Parliament's powers to scrutinise the executive are advocated this morning by a Labour Party Treasury spokesman who is one of the leading specialists in the Commons oo public administration.

Mr. John Garrett, MP for Norwich South, calls for the reforms in a book, Managing the Civil Service.

His central argumeot is that the reforming atmosphere of the late 1960s has withered away, notably through lack of political interest in fundamental change, and that a renewed reforming programme is needed.

Among bis suggestions are resumption of progress toward a unified Civil Service grading structure, establishment of a netional college of public administration, and honouring of the results of pay research.

His proposala come at a time when the structure of the Department is being examined by the Prime Minister and the Treasury and Civil Service Committee of the Commons is devoting increasing atteotion to the efficiency of the service.

Mr. Garrett wants, among other legislation, a freedom-of-information Act and wholesale reform of Government accounting and statistical information to allow scrutiny of purpose and results of puhlic spending.

Managing the Civil Service, by John Garrett, Heinemann, £7.50.

Britain comes bouncing back in the electrical appliance market

BY WILLIAM HALL

THE VALUE of imports of domestic electrical appliances dropped abarply in August while British producers increased their share of the depressed UK market significantly.

Tbe UK market share of foreign-produced fridge freezers fell to 28.1 per cent from 70.2 per ceot in August last year. Over the same period foreign penetration of the market for automatic washing machines fell from 42.8 per cent to 27.9 per cent.

Io the earlier part of this year imports of domestic electrical appliances rose considerahly. But since the middle of the year UK manufacturers have been recovering, *according to figures released* by lbe Association of Domestic Electrical Appliances (AMDEA).

DOMESTIC APPLIANCES IMPORT PENETRATION

	August 1979 %	August 1980 %
Fridges	47.4	29.7
Freezers	60.2	50.7
Fridge/freezers	70.2	28.1
Cookers	9.8	3.7
Automatic washing machines	42.8	27.9
Vacuum cleaners	35.0	35.0
Tumble dryers	9.0	9.0

Source: AMDEA

AMDEA says the UK market fell by 2.6 per cent in value terma in August and in real terms was over a fifth lower than a year ago. However, UK producers increased the value of their deliveries by 5.8 per cent, compared with imports, which were 22 per cent down.

The market abare of fridge imports fell from 47.4 per cent to 29.7 per cent in August and cooker imports fell from 9.8 per cent to 3.7 per cent.

The only sector ln wbich import penetration grew was the small appliance market. Imports of irons, toasters and food mixers from Eastern Bloc countries in particular have increaaed in volume terms.

Figures for the first eight months of 1980 are still inflated by the surge in imports at the beginning of the yeer. UK manufacturers' trade deliveries are uncbanged in value lerms over the eigbt-mooth period,

Hauliers to oppose plan to sell test stations

By Lynton McLain, Transport Correspondent

A MAJOR campaign against the Government's plans to sell Britain's 91 heavy goods vehicle testing stations to the private sector, is to be mouoted by road hauliers this week.

The plana, unveiled in a consultation paper from the Transport Department in August, are being drafted into proposals for new legislation.

This would create e state-owned holding compaoy for the heavy goods vehicle lesting stations and the teatiog of public aervice vehicles, mainly buses. This would be followed by a sale of tbe stations on long leasea lo the private sector.

Full details will he in a Transport Bill to he annouoced in the Queen's Speech lo Parliament next month.

The Government is determined to go ahead with the plan in apite of outright opposition from hauliers, lhe professional civil servants union and the Freight Transport Association representing the transport interests of 16,000 British companies. Mr. Norman Fowler, Transport Minister, said in August he believed there was no case for keeping testing ln the public sector.

Opposition is hased largely on fears that testing and safety standards would fall under private ownership. The Government, however, insists that standards will not be lowered hy the proposed change.

Nevertheless, Mr. George Newman, the director general of the Road Haulage Association, is to tell delegates at the RHA's aooual conference at Scarborough tomorrow that the association will enlist the support of "all possible sources of opposition, including the trade unions," to oppose the Government's plans.

The Institution of Professional Civil Servants, whose 1,000 members in the test stations stand to lose their jobs, has already come out strongly against the Government's plan.

The proposals were a "threat to public safety" and would increase iodustry's transport costs, the union said last Thursday. The plans "to put lorry safety up for sale will entice fleets of travelliog death-traps on to the roads of Britaio," the IPCS said.

Pru to start big home insurance Press campaign

By Eric Short

THE PRUDENTIAL Assurance Company is to spend £150,000 on a Press edvertising campaign next month to make families more consciona of the value of their homes.

Mr. Ray Hill, deputy ageocy manager, considers that most families are nnaware of the value of their belongings and fail to obtain proper insurance cover.

The campaign ia timed for the advent of winter, wben people are likely to be conscious that their homes are vulnerable to fire and adverse weather and when the dark evenings present opportunities to thieves.

The company is one of the largest UK household insurers witb 3m domestic policyholders. To help them to estimate the replacement value of their possessions, the Prudential bas produced a room-by-room guide.

This eoables bouseholders to arrive at a realistic sum to be insured, either on a full replacement basis or an indemnity (allowiog for wear and tear) basis.

Plaid Cymru swings Left

BY ROBIN REEVES, WELSH CORRESPONDENT

MR. DAFYDD THOMAS, the young Welsh Nationalist MP for Merioneth, was elected vice-president of Plaid Cymru at the party's annual conference in Porthcawl over the weekend.

His victory, by a substantial majority, marks a distinct swing to the Left in Plaid Cymru. Mr. Thomas holds uncompromising Left-wing views, whereas his rival for the post, Mr. Dafydd Iwan, was more in the party's cultural nationalist tradition.

It puts Mr. Thomas in a strong position ahould he wish to seek the leadersbip of the party in a year's time, when Mr. Gwynfor Evans, Plaid Cymru, presideot for the past 35 years, has said he will retire.

But Mr. Thomas yesterday disclaimed any presidential aspirations. Movements, not oot leaders, were important, he said. The party'a lask in the coming months was to contribute towards an alliance of the Left in Wales and to fight the Government'a economic policies.

U-turn on textiles urged

MR. JOHN KNOTT, the Trade Secretary, will be urged in Parliament next week to save Britain's textile industry from extinction.

Labour MPs, particularly those from the North-West, plan to demand a Government U-turn after news that another 1,200 jobs in the Lancashire textile industry are to be lost through closures at Carrington Viyella and Jobn Bright.

About 16,000 people have lost their jobs in this sector in the past year, hringing the total still employed lo less than 50,000.

Mr. James Callaghan, Lahour MP for Middleton and Prestwich, said yesterday: "As far as I am coocerned, the textile industry in my area is oow completely smashed—it is non-existent."

He said the industry had been ooe of the least strike-prooe in Britain with employees and employers trying to co-operate with both Labour and Tory governments.

Change in rate support opposed

By Maurice Samuelson

THE London Chamber of Commerce and Industry yesterday made what it called a "last ditch attempt" to prevent the Government's proposed changes io the local anthority rate support system.

In a letter to Mr. Michael Heseltioe, Environment Secretary, it said the Government sbould remove the "arbitrary aod locomprebensible" proposal io its Local Governmeot Bill for a new block grant system of rate support. Io terms of the Bill, Whitehall would determine more closely bow much money local authorities require.

Vegetables cut grocery index

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES Grocery Prices Index fell in Octoher for the third successive month, mainly as a result of cbeaper fresh fruit and vegetables. The index for October, publiahed today, is 126.84, compared with 127.41 last month.

Fruit and vegetahles was the only item to ahow significant chaoge, falling from £221.19 last month to £203.06 in October.

It is now likely that the traditionally more expensive winter crops wlll push this section up io price next month and lead to a slight overall increase in the index.

The index, showing the trend in food prices rather than ebsolute price levels, is hased on data collected monthly hy 25 sboppers who monitor tbe same list of 100 items in the same shops, ranging from superstores to small village grocers.

Food sales, wbich remained huoyant early in the year, were substantially down in summer.

But after extensive marketing campaigns launched a month ago food sales appear to have picked up, according to trade sources. This ia still to be confirmed hy official figures.

FINANCIAL TIMES SHOPPING BASKET OCTOBER, 1980

	Oct. £	Sept. £
Dairy produce	635.10	635.44
Sugar, tea, coffee and softdrinks	209.76	208.91
Bread, flour and cereals	302.19	300.19
Preserves and dry groceries	108.57	107.75
Sauces and pickles	51.64	50.29
Canned goods	190.39	189.65
Frozen foods	226.67	228.12
Meat, bacon, etc. (fresh)	521.18	531.91
Fruit and vegetables	203.06	221.19
Non-foods	238.29	235.44
Total	2,696.85	2,708.89

1979: January 108.54; February 108.65; March 109.12; April 110.88; May 113.59; June 116.02; July 114.79; August 114.16; September 114.17; October 114.95; November 116.36; December 118.74.

1980: January 120.47; February 122.32; March 124.18; April 125.94; May 128.79; June 128.53; July 129.04; August 128.41; September 127.41; October 126.84.

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Co-op boards accept merger details

BY OUR CONSUMER AFFAIRS CORRESPONDENT

DETAILS OF the proposed merger between the two largest retail co-operative societies—tbe London Society and Co-op Retail Services—bave been agreed by tbe boards.

The proposals will oow be put to special meetings of the Londoo Society, to be beld over the next two months.

Tbe merger was first sought last month by the Loodon Society as a means of improving its tradiog performance in the competitive conditioos in Britain's High Streets. CRS traditionally takes over retail societies in finencial difficulties. The merger would create a tradiog group with annual sales of over £800m.

The Hull and East Riding Society is also likely to join CRS shortly.

UK NEWS

Home grant rules ease today

BY MICHAEL CASSELL

MAJOR CHANGES in the system of home improvement and repair grants take effect from today.

The measures are made possible by the Housing Act 1980 and are designed to encourage the wider take-up of grants for home improvement and to simplify the existing system.

The changes have been planned for some time. Ironically, they come into operation five days after the Department of the Environment told English housing authorities not to commit themselves to new capital expenditure on housing—including improvement grants—because of fears that local budgets were running out of control.

As a result of the changes, a local authority will no longer be able to demand the repayment of an improvement grant if an owner-occupier sells his property within five years of obtaining the grant.

The five-year rule is being abandoned because the Government believes its presence often deterred building societies from making loans for improvement work and also penalised people who were forced to move home unexpectedly.

A local authority will now be able to give provisional approval for an improvement grant to someone who is still in the process of buying a home and who has not exchanged contracts.

This is designed to help prospective buyers to obtain a firm offer of a mortgage on a house in need of improvement when a building society wants to make a loan conditional upon improvement work being carried out.

Spending forecasts

Grants will also be available on properties occupied by members of an applicant's family, without the applicant having to be a resident of the property involved. Rateable value limits for grants in housing action areas are being abolished, and in cases where improvements are necessary because the occupant is disabled.

The overall standard of repair required for a property after improvement with the aid of an intermediate or repair grant is being lowered—to make it easier for applicants to modernise individual amenities.

It is expected that the overhauled grants system, together with the new maximum rates of grant available, will be in operation by mid-December.

In the meantime, housing authorities will this week compile their spending forecasts and are expected to submit them to the Department by Friday. Ministers will then decide, on the basis of the returns, what action to take.

Options include continuing the freeze on all new housing expenditure (except mortgage loans under the council house sales provisions of the Housing Act) to cut certain types of spending. Those authorities who exceed their budgets are being left in no doubt that they will be penalised in the next financial year.

The freeze in spending was described as "lunacy" this weekend by the Federation of Associations of Specialists and Sub-Contractors. Mr. John Huxtable, its director, said the move was "an act of desperation" which would have a devastating effect on programming and planning but little eventual impact on expenditure levels.

Unrealistic

Local authorities found increasingly that they could not honour housing commitments except by exceeding the unrealistic spending limits demand by the Government, he said.

The Timber Trade Federation said the freeze should be lifted until the results of the returns were known. The Government should in any case address itself to the problem of current, rather than capital expenditure, it said.

Martin Taylor explains why spot checks will stop the market scramble

Every day will be a 'make-up day' for banks

FOR THE last few months the London money markets have been operating in crazy conditions. Things have been almost as incomprehensible to the City as to outsiders who might remark from time to time that the money supply has grown by 5 per cent in a single month or that banks have paid each other 150 per cent for overnight money, and wonder why.

The recent squeeze on reserve assets—which is responsible for the silly overnight interest rates—can be traced back to the removal of Bank of England's corset controls in the summer.

Banks operating in the UK are required to match 12½ per cent of their eligible liabilities—roughly speaking, their deposits—with reserve assets, which are highly liquid instruments.

Treasury bills, Government stock with less than a year to maturity, eligible bills (as a small proportion of the total), money at call with the discount market and cash at the Bank of England all count as reserve assets.

In the past, the 12½ per cent ratio has been a prudential requirement rather than an instrument of monetary control—that is to say, the Bank of England does not generally try to engineer a shortage of reserve assets as a way of controlling the growth of bank lending.

Most of the reserve assets are in finite supply, and banks are unwilling to put much cash in their accounts with the Bank of England, because the central bank very sensibly pays them no interest.

But it has always been easy to manufacture reserve assets through the discount market. A bank which found its loan book growing rapidly could bid for extra funds and put them on call with a discount house.

Trouble arises when the discount house does not want to take in more money, typically because it is already running as large a book as the discount market's own prudential controls, related to the house's net asset base, allow it.

The more reluctant a discount house is to take in call money—or the more desperate for reserve assets it imagines the bank in question to be—the lower the rate of interest it will offer. The reserve assets thus become expensive to the bank, and so does the increase in its lending.

This has been increasingly the case. The banking system's eligible liabilities—and thus its need for reserve assets—have grown considerably in the past year although, when the corset controls were in place, the banks went to great lengths to suppress this growth.

Between the monthly banking make-up days for June and September — the first three months after the corset's removal — eligible liabilities rose by 12.3 per cent, equivalent to an annual rate of nearly 60 per cent.

Meanwhile, many discount houses had suffered losses as a result of rising interest rates, and had seen their asset base shrink, and with it the size of the book they were allowed to run.

The discount market was no longer in a position to produce cheap reserve assets for the banks. Worse still, the Bank of England was actually reducing the amount of Treasury bills in issue.

The more expensive reserve assets have become, the more banks have been tempted to hold just a few of them for much of the month and go up to 12½ per cent only on make-up day, the day when figures are collected by the Bank of England.

Many banks are too large to dare to do this, or too scrupulous to consider it, but it has certainly been going on. The result is chaos on make-up day as these banks have scrambled to reach the 12½ per cent ratio—and the whole market has seen them coming.

This is important because the make-up day figures are the basis for the money supply calculations, and indeed for all the Bank of England's monitoring of the banking system. The very high money rates have allowed companies to draw down their overdrafts at 17 per cent to re-lend in the open money market. This inevitably exaggerates the total bank lending figure.

What the Bank of England is doing now is to serve notice on the banking system that it expects full reserve asset cover to be maintained for the full month, and that it is prepared to make spot checks between make-up days.

At first, this may lead to upward pressure on money market rates, as every day becomes a sort of make-up day. The Bank will have to respond to this as it sees fit. At least, the figures collected should be a good deal more honest.

Closure of pulp mill gives ports extra trade

By William Hall, Shipping Correspondent

A HANDFUL of Scottish ports are facing near boom conditions as a result of the closure of the Fort William pulp mill and the start of a major export trade of British pulpwood to Scandinavia.

The closure of Fort William earlier this year has made more than 200,000 tonnes per annum of Scottish lumber available for export.

So far three ports, Grangemouth, Montrose and Invergordon, seem to be handling the bulk of the exports.

The Forestry Commission is sending most of its surplus wood to a consortium of Norwegian pulpwood importers and to Billerud Uddeholm in Sweden. The private forest growers appears to be sending much of their wood to Sodra Skogsägarna of Sweden.

Last week, Grangemouth signed a contract with Sodre to ship significant tonnages of Scottish timber through the port. It is expected that close to 70,000 tonnes will be shipped to Sweden before the end of the year.

Montrose reports that its traffic is up by nearly 40 per cent as a result of its new timber trade. Up to 3,000 tonnes per week is moving through the port. It expects to export about 80,000 tonnes of round timber to Scandinavia next year.

Invergordon is expecting to move at least 100,000 tonnes of timber next year.

Inverness is hoping that it will be used to export some 75,000 tonnes a year of former Fort William timber.

Orders for footwear fall by 7%

NEW ORDERS for the footwear industry fell by 7 per cent in the three months to the end of July when compared with the previous quarter, according to Government figures.

In July alone, orders were placed for 8.8m pairs of shoes, valued at £43.3m. Deliveries in the three months ending in July were 1 per cent down on the previous three months.

Electricity savings

THE 14 operating regions of the South Eastern Electricity Board are to be reduced to 11 under organisational changes due to take effect next April. The plans are designed to save about £1m a year in operating costs.

Extended holiday

THE TOY company Combex is to lay off 250 workers at its Peterborough factory for four weeks over Christmas because of falling demands.

Crisis talks

THE UNEMPLOYMENT crisis affecting the North Staffordshire pottery industry will be discussed today—between a deputation of MPs, industrialists as well as union officials, and Lord Trenchard, Minister of State at the Department of Industry. About 7,000 workers have been made redundant, and 70 per cent of the remaining 36,000 workers are on short-time.

Turner 'gift' for sale

A PAINTING by Turner which he gave to his landlady is expected to be sold for more than £200,000 at Sotheby's, London, next month. The sale also includes a Gainsborough which, according to tradition, the artist exchanged for a fine-toned violin.

Mail director dies

SIR Geoffrey Harmsworth, a director of Daily Mail and General Trust, died on October 23. The company owns 49.95 per cent of Associated Newspapers.

LABOUR

Protests fail to prevent Cunard ships sailing

BY OUR SHIPPING CORRESPONDENT

TWO OF Cunard's passenger ships, the Cunard Princess and the QE2, sailed on schedule at the weekend in spite of union pressure to delay their departure in protest at the company's plans to transfer its two Caribbean cruise ships to the Bahamian flag.

Shortly afterwards, the National Union of Seamen (NUS) said the Cunard Princess now constituted a "maritime hazard" because the Bahamian authorities did not have effective control over ships and the crew was not properly trained.

The Cunard Princess, which left San Juan on Saturday at 9.30 pm local time, is already flying the Bahamian flag and employing a non-NUS crew.

Its British officers ignored their union's advice and are operating the ship normally. Its sister ship, the Cunard Countess, is strikebound in Barbados, and its crew are staging a sit-in.

The QE2, whose officers and ship's liaison committee were earlier reported to be opposed to the NUS action, sailed from New York on Saturday at 5.0 pm local time for a Caribbean cruise.

It returns to New York on November 2 and will be back in Britain on November 8.

However, according to a telex received by the NUS from the union convener on the QE2, Mr. John Hiller, the majority of the QE2 crew support the NUS stand.

The NUS plans to immobilise the ship when it docks in Southampton next month.

Last week, the NUS called for a one-day national stoppage on November 3 and a strike on Cunard's ships in an attempt to force the company to reconsider its plans.

Under the Bahamian flag, Cunard will be able to employ cheaper foreign crews and stem the £20m losses which the two ships have run up over the past five years.

Stand firm on pay, says Scargill

BY OUR LABOUR EDITOR

MR. ARTHUR SCARGILL, the left-wing candidate and front-runner for the presidency of the National Union of Mineworkers, yesterday called on the union's moderate leaders to "stop compromising and apologising" and start fighting for the miners' 35 per cent wage claim.

After last week's outline offer from the National Coal Board of under 10 per cent, Mr. Joe Gormley, NUM president, said the union had to be "realistic."

He would not repeat his earlier declaration that nothing less than a rise matching the cost of living would do.

Referring to the gloomy short term economic forecast for the coal industry given to union negotiators on Thursday, Mr. Scargill, president of the Yorkshire miners, said: "The Coal Board have told us nothing new and have merely reiterated the familiar sob story which they have been giving us for the past 10 years.

"I warn the Coal Board that we are not prepared to be fobbed off and I advise them to stop acting as agents for Tory Government policy. Failure to concede the miners' claim will result in industrial action."

The outcome of the present negotiations, for a 10-month period from January 1, is due to be put to a delegate conference before going out to a ballot of the 240,000 miners.

It remains to be seen whether the fear of further pit closures—now the subject of a separate NUM campaign—will weaken rank-and-file support for the union's conference demand of a minimum wage of £100 a week.

This is the hope of the moderates, who think a settlement of 12 to 14 per cent would be enough to win majority support in the coalfields.

But closure fears could also add fuel to a militant campaign against what will be interpreted as a Government-inspired pay offer.

Clear run for Sunday Times

By Our Labour Editor

THE Sunday Times yesterday reported a virtually trouble-free print run, one of the few this year, in the wake of last week's announcement that the title, along with The Times and its supplements, is up for sale.

Over 1.5m copies of the 72-page paper were produced for current circulation of 1.45m.

Printing unions, who were blamed by the Thomson Organisation for its decision to sell the papers or close them by March, had predicted that industrial disruption would cease.

One of the chief trouble spots has been the press room on the long Saturday night and Sunday morning shift, mainly because of an unresolved pay differential dispute.

Petrochemical jobs 'at risk'

A PLEA to secure the future of 870 jobs at the petrochemical plant at Grangemouth, Stirlingshire, has been sent to the Prime Minister by the convener of Scotland's Central Regional Council, Councillor James Anderson.

In his letter to Mrs. Thatcher, Mr. Anderson urges the Government to ensure that the gas gathering line proposed between St. Fergus and Nigg Bay is extended to take in Mossmorran, Grangemouth and Teesside.

He says the council is worried that if the gas-based petrochemical development at Nigg Bay and Peterhead is constructed, vast quantities of relatively cheap feedstock could put the British petrochemical industry at a disadvantage.

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Repayments are made monthly and you can choose a fixed or variable rate of interest.

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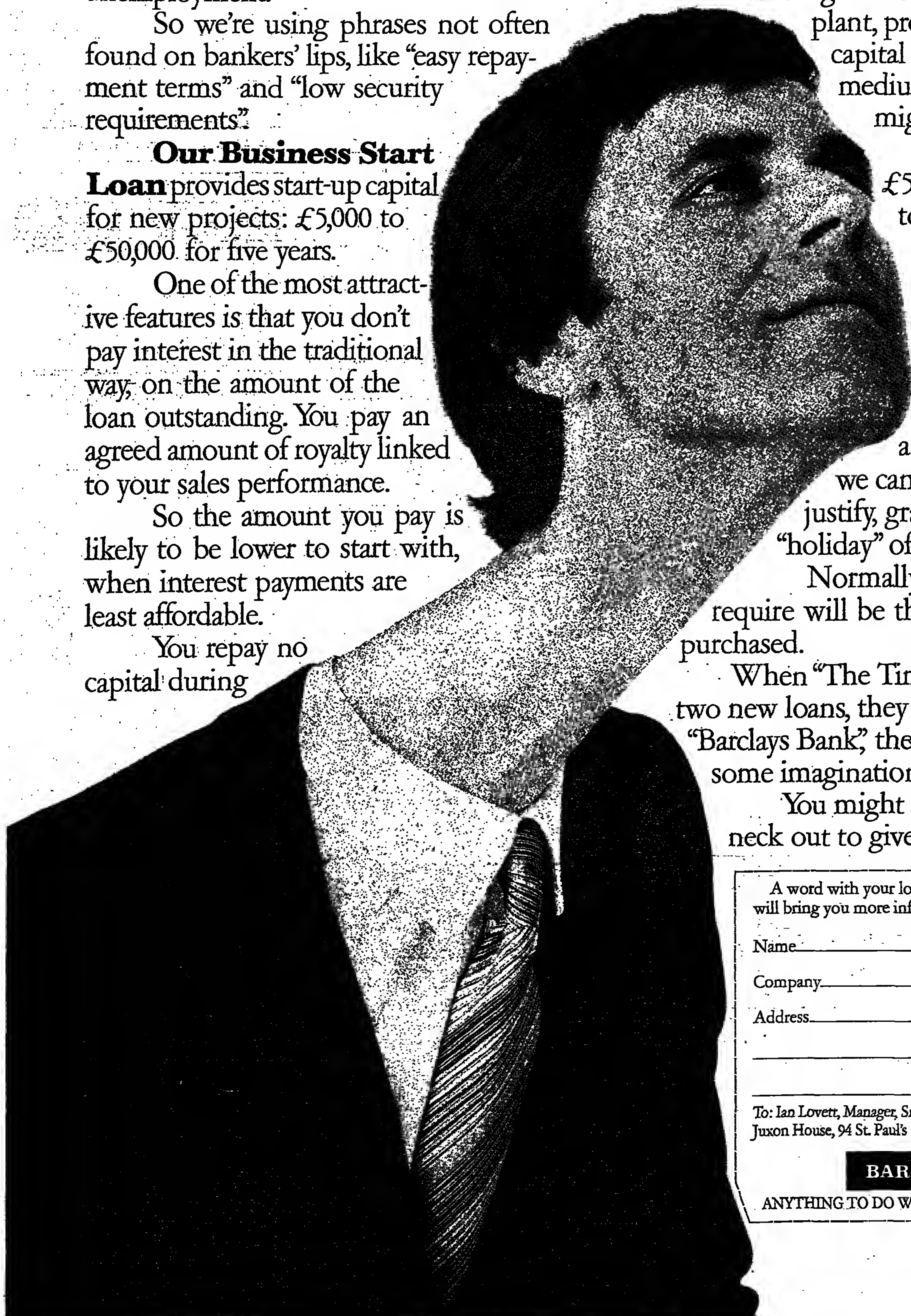

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BARCLAYS BANK

ANYTHING TO DO WITH MONEY, ASK BARCLAYS FIRST.

APPOINTMENTS

Sir Frederick Warner is BSI president

Professor Sir Frederick Warner has been elected president of the BRITISH STANDARDS INSTITUTION in place of Lord Shackleton, who has retired after completing his three-year term of office. Sir Frederick, who is principal consultant in the firm of Cremer and Warner, consulting chemical engineers, was chairman of BSI from 1973-76 and has been a deputy president since then. In 1977, at the request of NEDC, he produced a report on "Standards and specifications in the engineering industries."

*

McKECHNIE BROTHERS states that Dr. J. M. Butler, the group chief executive, has also been appointed deputy chairman.

*

The Energy Secretary has re-appointed Mr. Ian C. Smith and Mr. John E. Miller as part-time members of the North Western Electricity Board for three years from October 24. Mr. Smith is the managing director of Baxi Heating, Preston, and Mr. Miller is the industrial liaison officer in Merseyside County Council's economic development office.

*

Mr. Geoffrey A. Hargreaves is joining the Board of BAIN DAWES.

Mr. John Jolliffe has been appointed a non-executive director of BAIN DAWES UK division, western region.

*

Mr. Rupert E. K. Hutton has been appointed to the Board of RESERVE ASSET MANAGERS from November 1.

*

Mr. C. H. Gregson has been appointed chief executive of MILLS AND ALLEN MONEY BROKERS and Harlow Meyer Savage. Mr. V. L. Holman, a director of Mills and Allen Money Brokers, has been appointed joint deputy chairman of HARLOW MEYER SAVAGE.

*

At the annual meeting of the FRIENDLY SOCIETIES LIAISON COMMITTEE, Mr. F. G. Fenton (secretary, Association of Deposit Societies) was elected chairman for the ensuing year, in succession to Mr. R. J. Cole. Mr. Cole will continue to serve as a member of the liaison committee. Mr. L. L. Munns (secretary of the Association of Collecting Friendly Societies) was re-elected secretary of the committee.

*

RALPH M. PARSONS CO., London subsidiary of Pasadena-based Ralph M. Parsons Company, has appointed Mr. Marvin R. McLain as managing director of the London office. He succeeds Mr. Andrew V. Reznack who returns to Pasadena as project director of a contract in Alaska.

*

Mr. P. Robertson, a director of M AND G Investment Management has been appointed to the Board of DRAYTON FAR EASTERN TRUST, a company managed by Drayton Montagu Portfolio Management.

*

Professor Michael Adepoju Adeyemo has been appointed executive vice-chairman, LAWSON GROUP, Lagos, Nigeria. He was formerly the chairman of the National Bank of Nigeria and of the West African Provincial Insurance Company.

*

TEXACO has appointed Mr. J. R. Whitehead, legal adviser and Mr. J. F. K. Williams, comptroller, to the Board.

Sir Frederick Warner

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Esperanza, Winchester House, 77, London Wall, EC, 10.20
Jos Holdings, 20, Fenchurch Street, EC, 12.00

BOARD MEETINGS—
Final:
Pochins
Interims:
London Atlantic Inv. Tst.
Outwich Inv. Tst.
Tern-Consulate
Thorsis

DIVIDEND & INTEREST PAYMENTS—
Bifurcated Engineering 1.15p
Dickie (James) (Drop Forgings) 2.428p
Exchequer 13¼pc 1994 £4.5054
General and Commercial Inv. Tst. 4p
Home Counties Newspapers 1.75p
Hyman (I. and J.) 0.6128p
Johannesburg Cons. Inv. 208.40300
Lend Investors 0.8p
Massey Ferguson Ln. 2¼pc
Merchants Tst. 1.75p
Scottish Eastern Inv. Tst. 1.5p
Sunlight Service 0.55p
Wholesale Fittings 11p

TOMORROW

COMPANY MEETINGS—
Australian and Intnl. Tst., 120, Cheapside, EC, 12.00
Crev Electronics, The Institute of Directors, 116, Pall Mall, SW, 12.00
Emess Lighting, 211, Piccadilly, W, 10.20
Epicure, The Great Eastern Hotel, Liverpool St., EC, 12.00
Linfood, Winchester House, 77, London Wall, EC, 12.00
Ricardo Consulting Engineers, St. Ermins Hotel, Caxton Street, SW, 12.00

BOARD MEETINGS—
Finals:
Border and Southern Stockholders Tst.
British Car Auction
CLRP Inv. Tst.
North Atlantic Securities
Singapore Para Rubber Estates
Interims:
Coates Brothers
Dorrington Inv.
English National Inv.
Harrisons and Crosfield
Lake View Inv. Tst.
Reed Intnl.
Runciman (Walter)
Tozer Kemsley and Millbourn

DIVIDEND & INTEREST PAYMENTS—
Blundell-Permoglaze 8½pcPfd. 2.275pc
Canadian Imperial Bank of Commerce 45cts
Esperanza 4.2p
Jos Hldgs. 2.25p
Toronto Dominion Bank 26cts

WEDNESDAY, OCTOBER 29

COMPANY MEETINGS—
Associated Dairies, Headingley Pavilion, St. Michael's Lane, Leeds, 2.30
Change Wares, Winchester House, Old Broad Street, EC, 11.00
Group Lotus Car, Hethel, Norwich, 12.15
Link House Publications, Connaught Rooms, Great Queen St., WC, 12.00
Walker (James) Goldsmith and Silversmith, 1, Gleneagle Rd., SW, 12.00

BOARD MEETINGS—
Finals:
Bell (Arthur)
Gomme
M.Y. Dart
North British Properties
United Real Property
Interims:
Border Breweries
Callender (George M.)
Fidelity Radio
Geers Gross
Mellinson-Denny
Nineteen Twenty-Eight Inv. Tst.
Richardsons, Westgarth

DIVIDEND & INTEREST PAYMENTS—
Bank of Nova Scotia 40cts
Biddle Hldgs. 2.4p
Challenge Corp. 11cts
Epicure 0.85p
Gripperrods 2.975p
Linfood 7.5p

THURSDAY, OCTOBER 30

COMPANY MEETINGS—
Banks (Sidney C.), The Garden House Hotel, Cambridge, 12.00
Burns-Anderson, Midland Hotel, Manchester, 12.00
Gold and Base Metal Mines, 25-35, City Road, EC, 12.00
Guinness Peat, Winchester House, 77, London Wall, EC, 11.45
Jamaica Sugar Estates, 7, West George Street, Glasgow, 12.00
Kwahu, 25-35, City Road, EC, 2.20
Maynards, Vale Road, Finsbury Park, N, 11.00
Palmerston Inv. Tst., Winchester House, 77, London Wall, EC, 12.00
Park Place Invs., 128-142, Bramley Road, W, 12.00
Saville Gordon (J.), Midland Hotel, New St., Birmingham, 12.00
Sirdar, Bective Mills, Alverthorpe, Wakefield, 12.00
Telefusion, Connaught Rooms, Great Queen Street, WC, 12.30

BOARD MEETINGS—
Finals:
Hepworth (J.)
Simpson (S.)
Interims:
Bambers Stores
Boosey and Hawkes
Canadian and Foreign Inv. Tst.
Coate Petons
Lunuva (Ceylon) Tea and Rubber
Press (William)
Weeks Associates
Yorklyde

DIVIDEND & INTEREST PAYMENTS—
Bank Leumi le Israel I£0.075
Cory (Horace) 0.6p
De Beers Cons. Mines Dfd. (Reg.) 25cts, Dfd. (Br.) 25cts
De Beers Industrial Corp. 80cts, Pf. 2¼pc
Desoutter Bros. 2.7p
Dow Chemical 40cts
El Oro Mining and Exploration 1.75p
Exploration Co. 0.875p
Israel Electric 8p
New Equipment 0.25p
Sandhurst Marketing 0.8425p
Schroders 2p
Security Centres 0.8p
Stewart Plastics 1.722p
Tilbury Contracting Grp. 6p
Wace Grp. 0.72p

FRIDAY, OCTOBER 31

COMPANY MEETINGS—
Amalgamated Estates, The Brewers Society, 42, Portman Square, W, 12.00
G.T. Japan Inv. Tst., Park House, 16, Finsbury Circus, EC, 12.00
Moran (Christopher), The Savoy Hotel, Strand, WC, 12.15
Raglan Property Tst., Great Eastern Hotel, Liverpool St., EC, 11.00
Whitworth Electric, The Great Western Royal Hotel, Paddington, W, 2.00
Yorkgreen Inv., The Stock Exchange, EC, 4.00

BOARD MEETINGS—
Finals:
Audio Fidelity
Herman Smith
Linread
Wood Hall Tst.
Interims:
Nathan (B. and I.)
Western Brothers

DIVIDEND & INTEREST PAYMENTS—
APV Hldgs. 2.8p
Portland Cement 7½pcPf. 2.825pc
Airfix Industries Ln. 2¼pc
Allied Farm Foods Db. 4pc
Alva Inv. Tst. 4.9p
Amatil Pf. 2¼pc
Ash and Lacy 6p
Ashbourne Inv. Ln. 4¼pc
Assoc. Dairies Db. 2¾pc
Assoc. Electrical Inds. Db. 3pc
Astbury and Madeley 1p
Australian and Intnl. Tst. 3p
Aveling Barford Db. 2½pc
Babcock Industrial and Electrical Products Db. 3¼pc
Barton and Sons 1.4p
Bath 11¼pcRed. 1985 5⅝pc
Bath and Portland 7¾pcPf. 2.7125pc, Ln. 3¼pc
Betleys of Yorkshire 10pcPf. 5pc
Beattie (James) Db. 3¼pc
Bishopsgate Tst. Db. 2¾pc
Blackwood Hodge 8pcPf. 2.1pc
Blundell-Permoglaze Db. 2¼pc, Ln. 3¼pc
Boulton (William) 8½pcPf. 2.975pc
Brascan Class A Cnv. 30cts
Bredon and Cloud Hill Lime Works 2.625p
British-American Tobacco 8pcPf. 2.1pc
British Columbia Electric Callable Bds. (Br.) 2¾pc, Bds. Series AO (due 1/8/86) (Br.) 2¼pc
British Lead Ln. 6pc
British Mohair Spinners 0.98p
Brixton Estates Db. 2¼pc
Brown and Tawse 7pcPf. 2.45pc
Bruetone (Musselburgh) 4.25p
Burgess Products 6pcPf. 2.1pc
Burmah Oil Co. 1st and 2nd Pf. 2.1pc, 7¼pcPf. 2.5375pc, 8pcPf. 2.8pc
Cambridge Water Co. 4.2pc (fmly. 6pc) Red.Pf. 1978-80 1.398pc
Cantors Ord. and A 7½pcPf. 2.625pc
Chemring 4.9pcPf. 2.45pc
Clark (Matthew) and Sons 7pcPf. 2.45pc
Clutsom-Penn Intnl. Dbs. 2¼ 2¾pc
Corinthian 0.79p
Coronation Syndicate 80cts
Cowan de Groot 10½pcPf. 5.25pc
Cronch (Derek) 1.62p
Crowther (John Edward) 5½pcPf. 1.925pc
Davenports Brewery 5pcPf. 1.75pc
Drake and Scull Hldgs. 7pcPf. 2.5pc
Dundee and London Inv. Tst. 5pcPf. 1.75pc
Dunlop 5¾pcPf. 2.0125pc, Db. 2¼pc
Ellerman Lines 6¼pcPfd. 2.1875pc, 4½pc Pf. 1.575pc, 5½pcPf. 1.925pc
Ellis and Everard Db. 3¾pc
English Electric Db. 5¼pc
English Property Db. 14¹⁄₁₆pc, Ln. 5½pc
Estates Property Inv. Db. 3pc, Ln. 2¾pc
FMC 4.4pcPf. 2.2pc, 5.45pcPf. 2.725pc
Rindhorn Finance Ln. 8¼pc
First Scottish American Tst. Db. 1¾pc
Fisons Ord. Dbs. 2 2¼pc
Foreign and Colonial Inv. Tst. Ln. 2½pc
G. T. Japan Inv. Tst. 2p
Garnar Scotblair 2.4p
Garton Engineering Ln. 4¼pc
General Investors and Trustees 2.2p
Goldman (H.) Ln. 4¾pc
Gordon Hotels 5½pcPf. 1.925pc
Grand Metropolitan Hotels (Scotland) 5pc Pf. 1.75pc
Greenfield Leisure 10pcPf. 5pc
Gullonnil Property 6pcPf. 2.1pc
Haynes Publishing 5p
Heavitree Brewery 11½pcPf. 5.75pc
Heinz (H. J.) 4½pcPf. 1.575pc
Heywood Williams 8pcPf. 2.8pc, Db. 3pc
Home Charm 0.7p
Howden Grp. Dbs. 3⅞ 4¼pc
Hudsons Bay 10.84pc
Hawood 7pcPf. 2.45pc
IDC Grp. 1.21p
ITT Distributors Db. 2½pc
Imperial Grp. 2.75p, Lns. 2⅛ 2¼ 4 5¼pc
Islington 12¼pcRed. 1983-84 6⅛pc, 12¾pc Red. 1906-87 6⅜pc
Jackson (Wm.) and Son 7½pcPf. 2.625pc
Johnson Matthey Db. 3¼pc
Keelavite 6½pcPf. 2.275pc
Kensington and Chelsea 11¼pcRed. 1985-87 5⅝pc
LRC Intnl. Ln. 4pc
Lamont 6pcPf. 2.1pc
Land Securities Inv. Tst. Dbs. 2 3¾pc
Latham (James) 8pcPf. 4pc
Lead Industries 7pcPfd. 2.45pc
Lee Valley Water 9pcPf. 1980 5.254pc
Liverpool Daily Post and Echo 3.462p
London and Scottish Marine Oil Co. Oil Production Stk. 32.2552p
London Shop Property Tst. 5½pcPf. 1.925pc, Ln. 2¼pc
London Tst. Co. Dbs. 1¼ 2 2¼ (1978-83) 2¼ (1883-88)pc
Lonrho 3p, Lns. £4.197
Low and Bonar Ln. 6¼pc
Lowe (Robert H.) 6½pcPf. 2.275pc
Mecanic (London) Lns. 2¼ 3¼pc
Marley Db. 2¼pc
Matthews (Bernard) 4p
Meynards 6.875p
Menzies (John) Db. 2½pc
Metal Closures 6pcPf. 2.1pc
Metalrax 0.82p
Milford (Donegall Bakery and Flour Mills) 6pcPf. 2.1pc
Miller Rayner and Haysom 10pcPf. 3.5pc
Mills and Allen 6½pcPf. 2.275pc
Mucklow (A. and J.) 2.2842p
Myson 1p
NCR Corp. 50cts
Newarthill 6¼pcPf. 2.1875pc
North (James) Ln. 3¼pc
Northern American Tst. 2½pcPf. 1.75pc, Db. 1¼pc, Ln. 2½pc
Palmerston Inv. Tst. 1.125p
Pearson Longman 3.75p
Pearson (S.) 3.75p
Plessey Connectors Db. 3¼pc
Polymark 1.9p
Portsmouth and Sunderland Newspapers 5.8pcPf. 2.8pc
Priest Marians 6pcPf. 2.1pc
Radio and Allied Db. 3¼pc
Rand London Coal 4cts, Ptg. Pf. 2.7cts
Rank Hovis McDougall Ln. 3⅛pc
Rank Organisation Ln. 5¼pc
Ransome Hoffmann Pollard Ln. 4pc
Renwick Grp. 4.9pcPf. 2.45pc
Ricardo Consulting Engrs. 4.7p
Rosedimond Inv. Income 3.5p
Rotork 1.1p
St. Helens 11¼pcRed. 1985 5⅝pc
Samuel (H.) Db. 2¼ 3¼pc
Saville Gordon (J.) 2.402p
Scottish and Newcastle Brews. 5½pcPf. 1.925pc, 7¾pcPf. 2.7125pc, Dbs. 2⅛ 3, 2¼ 3⅛ 3¾pc
Scottish Inv. Tst. Dbs. 2 2¼ 2½(Iperp.) 2½(1975-80)pc
Shaw Carpets 10pcPf. 5pc, Db. 4¼pc
Ship Mortgage Finance Db. 2pc
Silverminea 1p
Southerns Evans Db. 4pc
Steinberg 5pcPf. 1.75pc
Texaco Intnl. Finance Corp. Ln. 2¼pc
Tiger Oats and National Milling 25cts
Tozer Kemsley and Millbourn (Hldgs.) Ln. 4pc
Transamerica 32cts
Triplevest Income 3.941p
Tromen Db. 2pc
Trusthouse Forte Dbs. 2.125(1884-88) 3.725 (1985-90) 3.625 5.25pc, Ln. 4.055pc
Twefontein United Collieries 162cts
Valor 5¼pcPf. 2.625pc
Waverley Cameron 6pcPf. 2.1pc
Westminster and Country Props. Ln. 4pc
Westpool Inv. Tst. Ln. 2½pc
Whittingham (William) 7½pcPf. 2.625pc, Ln. 4pc
Wilkes (James) 1.5p

SATURDAY, OCTOBER 1

DIVIDEND & INTEREST PAYMENTS—
APV Hldgs. 2.15pcPf. 1.575pc, 4.55pcPf. 2.275pc, 5.25pcPf. 2.625pc
Baltic Mercantile and Shipping Exchange Db. (cancelled 1/10/80) 1¼pc
Bell and Sime 5pcPf. 1.75pc
Birmingham 12pcRed. 1983 8⅛pc
Bluebird Confectionery 2.9p
Boulton and Paul 5pcPf. 1.75pc, 5½pcPf. 1.925pc, 7pcPf. 2.45pc
Bristol Corp. 2½pcDb. 1¼pc, 7¼pcRed. 1979-81 2⅛pc
Bristol Variable Rate Red. Stk. 1982 £8.38
British Electric Traction Db. 2¼pc
British Gas 2pcGtd. 1990-95 1pc
British Inv. Tst. 5¼pcPf. 1.8375pc
British Mohair Spinners 6pcPf. 2.1pc
British Shoe 6½pcPf. (3rd) 2.275pc
Cameron (J. W.) 5pcPf. 1.75pc, 6pcPf. 2.1pc
Chase Manhattan Corp. Cap. Notes due 1883 2¼pc
City Investing 37.5cts, Pf. Sers. 8 50cts
Coates Brothers 4½pcPf. 5.575pc
Courage Dbs. 2¼ 3¼pc
Dalgety Db. 2¼pc
Daniell and Sons Breweries Db. 2¼pc
Dominion and Gen. Tst. 5pcPf. 1.75pc
Drake and Scull Hldgs. 2.5pcPf. 1.75pc
Drayton Cons. Tst. Db. 2¼pc
Edinburgh Inv. Tst. Db. 3¼pc
Electric and Gen. Inv. Tst. Db. 2¼pc
Esmark Inc. 46cts
Esso Petroleum Db. 2¼pc, Do. Proposed repayment of the 5¼pc1stDb.Stk. 1979-1982 at £95pc
Ferranti 2.85pcPf. 1.925pc
Fooding Ln. 6¼pc 1985-87 2¼pc
General Stockholders and Inv. Tst. 5½pcPf. 1.925pc
Glaxo Ln. 2¼pc
Gossard 5½pcPf. 1.925pc
Great Northern Inv. Tst. Db. 2½pc
Guaranteed 4¼pcBds. created under N. Ireland Land Act (1925) Red. 2¼pc
Hambros Inv. Tst. Db. 2¾pc
Hardy and Hensons 5pcPf. 1.75pc, Db. 2pc
Hellenic and General Tst. Db. 2&pc
Henekey's 7½pcPf. 3.325pc
Intnl. Inv. Tst. Db. 2¼pc
Ireland 4¼pc National Ln. 1975-80 2½pc
Islington 10pcRed.Stk. 1982-32 5pc
King and Shaxson 5pcPf. 1.75pc
Leeds Fireclay Db. 2pc
Lewis (John) Properties Db. 4½pc
London and Holyrood Tst. Db. 2pc
Londonderry Port and Harbour Commissioners Port of Londonderry 2½pcCons. 1¼pc
M and G Extra Yield 2.2p
McCaw Stevenson and Orr 5½pcPf. 1.75pc
Marshall (Thomas) (Loxley) Ord. and A 1.2p
Marshalls (Halifax) 10pcPf. 5pc
Merchants Tst. Db. 2pc
Montreal 3pcPerm.Db. 1½pc
Moorside Tst. 5pcPf. 1.75pc
Newman Industries 10pcPf. 5pc, 10¼pcPf. 5.125pc
Nicor Inc. 87cts
Norwich 2pcRed. 1¼pc
Nottingham 2pc (Irrd.) 1½pc
Parkland Textile 4½pcPf. 1.575pc
Platignum 8pcPf. 2.1pc
Property and Reversionary Inv. 5pcPf. 1.75pc
Ratcliffs (Great Bridge) 0.75p
Reading 2½pcIrrd. 1978 or after 1¼pc
Reckitt and Colman Db. 2¾pc
Reed Publishing Hldgs. Dbs. 1¼ 2¼pc
St. Andrew Tst. Db. 1½pc
Scottish Agricultural Secs. Corp. 2½pc Db. 1983-92 1¼pc, 12pcDb. 1997-99 8¼pc
Scottish Inv. Tst. 3.5pcPfd. 1.75pc, 3.85pc Pf. 1.925pc, 4.55pcAPf. 2.275pc
South Africa 9¼pcReg. 1978-81 4¼pc
Southampton Harbour Bd. 6½pcRed. 1982 3¼pc
Southwark 7¼pcRed.Db. 1980-81 7⅛pc
Stock Exchange £4.25 Red. Anns. (Reg.)
Stockholders Inv. Tst. Db. 2½pc
Treasury Ln. 8¼pc 1995-98 3¼pc
Trietus 20pcPf. 7pc
Tunnel 2.85pcPf. 1.925pc, 3.5pcAPf. 1.75pc
Union Intnl. 7pcPf. 2.45pc
Uruguay 3½pcBds. (Assd.) 1¾pc
Vaux Breweries 7pcPf. 2.45pc, 4½pcAPf. 1.575pc, 6½pcAPf. 2.275pc
Watney Mann and Truman Db. 3⅛pc, Lns. 2¼ 4¼pc
Webster (Samuel) and Sons Db. 2¼pc
Whitbread 4½pcPf. 1.575pc, 6pcPf. 2.1pc, 7pcPf. 2.45pc, Db. 2¼pc
Winston Estates 0.7p
Wiske Inv. Dbs. 2.2¼pc
Wrightson (F.) and Sons (Assoc. Cos.) 5½pc Pf. 1.925pc
Young Brewery Db. 2¼pc

INSURANCE

Courts always at liberty to correct a misnomer

BY OUR INSURANCE CORRESPONDENT

THE GENERAL rule for the legal construction—in lay language, interpretation—of an insurance contract is that the contract is to be construed strictly against insurers, since in the normal course of business insurers provide policy wordings endorsements and so on.

As many decided cases show, it is up to insurers to get their words right, the sanction being that if they do not, the policy-holder gets the benefit of any wider cover that the words in fact provide.

There are, however, occasions when the severity of this rule is mitigated, and an apt illustration is provided by the judgment of the Court of Appeal on Thursday in Nittan (UK) Ltd v. Solent Steel Fabrications: Cornhill Insurance Company Limited, third party.

The primary dispute between Nittan (UK) and Solent Steel Fabrications, concerned malfunctioning of an electronic programmer controlling application of heat.

The programmer was supplied by Solent and an employee had not wired it properly. Proceedings were begun for breach of contract and negligence in supply and maintenance of the control system. Solent looked to its insurers for protection.

Cornhill denied liability, relying on an endorsement to the products liability policy excluding liability in respect of goods supplied, altered or tested, not by Solent but by Sargrove Electronic Controls, for loss or damage caused by or arising out of the failure of any such goods to perform their intended function.

It was undisputed that Solent had previously taken over Sargrove Electronic Controls and equally undisputed that the draughtsman of Cornhill's endorsement made a mistake in naming the latter company, a mistake undetected and uncorrected at the time of the incident giving rise to the claim.

Solent, having no answer to the claim by Nittan (UK), submitted to judgment, but Cornhill continued to dispute its liability. In January Mr. Justice Wien held insurers liable to pay £28,000 to Solent, saying that the exclusion must be read strictly and that insurers must abide by their mistake.

Cornhill appealed, saying that it should not be so prejudiced by a misnomer, when it was so clear that both insurers and policy-holder had intended that the particular exclusion should apply to Solent, and the appeal was heard favourably by all three Appeal Court judges.

All three agreed that the exclusion clause, apart from the misnomer, applied precisely to the circumstances of the claim by Nittan (UK).

There had been incorrect assembly by one of Solent's employees and insurers had intended that the exclusion should apply to such an event. The only impediment to the application of the exclusion was the misnomer.

Previously decided cases—Lord Denning cited two from the early 1960s — showed that no one could take advantage of a misnomer, and that the court was always at liberty to correct a misnomer. This being so, the judges agreed that Cornhill should not pay.

In their judgments, the judges put the correction of such a misnomer lower down the construction scale than what is called the rectification of a contract.

To ground a claim for rectification some mistake more substantial than simple misnomer must be shown, and then the court must decide whether it is just and equitable as between the parties to allow rectification.

This week in Parliament

PARLIAMENTARY BUSINESS

MONDAY, OCTOBER 27

Commons—Debate on National Health Service.

Lords — Local Government, Planning and Land (No. 2) Bill, report. Tenants' Rights (Scotland) (Amendt.) Bill, third reading.

Select Committees — Treasury and Civil Service. Subject: Monetary policy. Witness: Sir Geoffrey Howe, Chancellor of the Exchequer. 5 pm. Room 15. Public Accounts. Subject: Role of Comptroller and Auditor-General. Witnesses: Comptroller and Auditor-General. 5.30 pm.

TUESDAY, OCTOBER 28

Commons — Debate on procedure. Overseas Development and Co-operation Bill, second reading. Limitation Bill, all stages.

Lords — Local Government, Planning and Land (No. 2) Bill, report. Highways (Road Humps) Bill, reports.

Select Committees — Foreign Affairs, Overseas development sub-committee. Subject: Energy implications of Brandt Report. 5.20 pm. Room 15.

WEDNESDAY, OCTOBER 29

Commons—Debate on Unemployment. Education (Assisted Places) Regs.

Lords — Local Government, Planning and Land (No. 2) Bill, report.

Select Committees — Scottish. Subject: Dispersal to Scotland of Civil Service jobs. Whitnesses: Civil Service Department and Property Services Agency. 11 am. Room 5. Transport. Subject: Roads White Paper. Witnesses: Mr. Kenneth Clarke, Parliamentary Secretary for Transport, and officials of the department. 11.15 am. Room 17. Public Accounts. Subject: Role of Comptroller and Auditor-General. Witnesses: Mr. Edward du Cann, MP, and Comptroller and Auditor-General. 4pm. Room 16. Welsh. Subject: Broadcasting in Welsh. Witnesses: Independent Broadcasting Authority. 4.15 pm. Room 8. Employment. Subject: Legal immunities of unions. Witnesses: Association of Chief Police Officers, Institute of Directors, Mr. James Prior, Employment Secretary. 4.30 pm. Room 15. Treasury and Civil Service sub-committee. Subject: Role of Civil Service Department. Witness: Sir Derek Rayner. 5pm. Room 6.

THURSDAY, OCTOBER 30

Commons — National Dock Labour Board (increase of Loans Limits) Order. Regulated Tenancies (Procedure) Regs. European Community Document on driving licences. Statute Law Revision (Northern Ireland) Bill, all stages.

Lords — Broadcasting Bill, report.

Select Committees—Transport. Subject: Channel link. Witnesses: British Railways Board. 10.45 am. Room 17. Home Affairs. Race Relations and Immigration sub-committee. Subject: Racial disadvantage. Witnesses: Committee of London Clearing Banks, Banking Insurance and Finance Union. 4.30 pm. Room 15.

FRIDAY, OCTOBER 31

Commons—Debate on references in court to Commons debates.

Lords—Civil Aviation Bill, third reading. Highways (Road Humps) Bill, third reading.

CONTRACTS AND TENDERS

PERSONAL

COMPANY NOTICES

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

What Whitehall found in the Boardroom

In the first of two articles, John Elliott reports on a programme to give civil servants experience in industry

INVITING a civil servant to attend a company's board meetings and lake part in helping to formulate its policies is not every chairman's idea of corporate bliss. It also smacks of a degree of Government involvement io industry which is no longer in political fashion in Britain.

Yet that is just what has been happening doring the past couple of years in three major industrial groups — United Biscuits, Tunnel Holdings and Delta Metal—in an attempt to help increase mutual understanding between industry and Whitehall.

Each of these companies has had one or more civil servants spending a day or two eeach month sitting in on hoard meetings of operating subsidiaries. Usually they have been unpaid observers, free to speak when they want to but without anything being expected of them in a formal sense. "There is no responsibility involved, one is a privileged guest," says ona of the civil servants. But one company — Tuonel — has made its civil servant a fully fledged (though still unpaid) non-executive director.

Seven men have heen involved so far, mostly high flyers in their late 30s or early 40s from the Department of Industry, where the idea originated. One has come from the Treasury. Care has been taken to ensure that their Whitehall jobs will not be compromised by any conflict of interest, and this has been helped by the fact that two of the companies—Tunnel and United Biscuits—mainly deal with the Departments of Environment and Agriculture, not Industry.

Subsidiary rather than main Boards have been used for two principal reasons. First, the problems raised by civil servants having to shoulder directors' legal responsibilities to general shareholders are reduced, if not eliminated. Second, a civil servant learns about the sort of executive decisinn-making which is outside his Whitehall experience. One drawback is that subsidiary boards usually have no traditions of accommodating non-executive directors (except as representatives of their parent hoards) and thus are not used to baving outsiders sitting io on their meetings.

But the host companies have chosen subsidiaries with easily identifiable and understandable products—biscuits, cement and electrical plugs for example—which has meant that the civil servants have not needed any specialised knowledge to understand and, eventually, to contribute to the Board's discussions.

The civil servants have been welcomed in the companies, although they have sometimes heen aware of initial suspicions from people who have had little prior experience of civil servants apart from local regulator officials like a VAT inspector. As a result, hoardroom discussion may have been inhibited for a time.

"There's no reason why the works director should instantly welcome having a civil servant around just because his socially conscious chairman, who is used to Whitehall, has said it should happen," says one civil servant. (Almost all the civil servants have expressed surprise at how little is known about Whitehall at the operating board level in industry.)

Tha civil servants have usually gained valuable practical experience, although this has varied, partly depending on the organisational and management styles of the companies involved. They have seen the problems of running factories and the pressures and priorities of top line managers. In one or two cases they have watched companies go through complex organisational and product changes, and have also seen how Government regulations—for example on hygiene or the environment—complicate a company's day-to-day operations. In recent months they have also seen how subsidiaries adjust to the problems of the recession within corporate policies laid down by main Boards.

The companies themselves have sometimes benefited from hearing a new view on their problems, as well as learning a little about how the Government works and about what motivates civil servants involved in Whitehall policy making. Both the companies and the civil servants have also gained from informal contacts developed outside the boardroom.

The scheme was started by Sir Peter Carey, Industry Department permanent secretary, who has been concerned for some time about the lack of mutual understanding between Whitehall and industry. He sees the boardroom scheme as an extension of more traditional full-time secondments between Government Departments and companies. "I believe it provides useful experience for the civil servants and is a positive way of meeting criticism that civil servants don't understand industry and the way it works," says Sir Peter, who is hoping to arrange for two or three more civil servants to join other companies soon.

Other more traditional forms of interchange have existed for some years, with civil servants being seconded for periods of up to three years to work full-time in private sector companies. Sometimes there have heen as many as 30 civil servants from the Departments of Trade and Industry doing such work at any one time, with about 15 to 20 people from industry on return secondments in Whitehall.

Some companies are also accommodating MPs for short periods to increase Parliament's understanding of industry. But many companies, especially those of medium size quite often find it difficult to give these MPs and the full-time seconded civil servants a useful enough managerial job for them to be taken seriously and to gain maximum experience. It is for this reason that several company chairmen are interested in the part-time boardroom arrangements, although some companies have decided not to become involved because they do not want civil servants in their boardroom.

Tomorrow's Management Page will examine the experiments in Tunnel Holdings and Delta Metal.

Roger Taylor

UB's civil servants (1 to r) John Warne, Brian Willott, John Cammell, Robin Lingard

THE IDEA of putting civil servants into the boardroom grew out of a conversation between Sir Hector Laing, chairman of United Biscuits, and a senior Industry Department civil servant. The Department of Industry official made a remark about hoardroom life which apparently drew the brisk retort: "If that's how you think we operate, you'd better come and sit in on our meetings."

In the middle of 1978 two Industry Department civil servants became what Sir Hector calls "observer directors" on United Biscuits' divisional boards.

Brian Willott, then an assistant secretary involved in industrial aid and now the secretary of the National Enterprise Board, went to the cakes division. John Warne, who used to be an under-secretary dealing with general industrial policy and is now deputy director of the Office of Fair Trading, went to the biscuits division. They each stayed about a year.

They were then replaced by John Cammell, an assistant secretary dealing with the motor industry, who is attached to the operational board of UB Foods (the company has reorganised itself into formal subsidiaries) and by Robin Lingard, an assistant secretary on electronics and computers, at UB Biscuits.

Most of these civil servants feel they have contributed little to their boards' executive committee-style of discussions, especially in their early months, hecause of the detailed nature of the subjects dealt with. But, hacked up by tours of factories and participation in management conferences, they have found their experience has helped to increase their understanding of industry to a degree which could not have been achieved just by company visits.

"I learned quite a lot about industrial operations, about the financial emphasis, and about meeting customers' complex requirements," says Willott. A lot of time was needed to read papers and, like several of the others, he found he could not always free himself from Whitehall for the fortnightly board meeting in West London.

Warne's board met weekly and there was no suggestion that he should attend every meeting. He usually went every three or four weeks, which inevitably broke continuity and made it more difficult to keep up with the issues.

Cammell has found it even more difficult than Willott to get away, and recently had a seven- or eight-week gap between attendances. Mr. Lingard also attends every four weeks or so, and his board tries to organise its agenda so that it discusses an issue which will interest him — for example marketing or budgeting — as well as dealing with regular production reviews.

For these civil servants, the meetings are not often likely to be intellectually stimulating. One or two have been amazed by the time taken nibbling a Bourbon biscuit, or discussing a cream slice, when deciding how well a factory has performed. But, as one of them says: "In its way it's relaxing and stimulating, because it's quite different from the macro and strategic discussions and decisions on companies that we sometimes become involved with in the Department."

Sir Hector Laing is disappointed by the fall-off in attendances but is willing to carry on. "If they think it's all worthwhile, then we'll have some more."

First impressions

David Fishlock talks to students on a GEC-sponsored course at Bath University

A HANDPICKED and highly confident group of students has just hegun the first year of a new university course designed to produce a novel breed of British engineer. Each will have a guaranteed and responsible job to go to in the GEC group on graduation in 1985.

The 38 are the first intake onto a course especially devised for GEC's Marconi subsidiaries (and described on this page on August 15, 1979). Before starting at the University of Bath they spent a four-week induction period together at a management centre near Marconi's headquarters in Essex, learning how to work as part of a management team.

Not only did they get to know Marconi's senior executives as well as their professors from the School of Electrical Engineering at Bath, they visited various electrical engineering installations, learned how a factory is organised, questioned eminent visiting engineers, and player business games. Above all, they got to know one another well, and how to work together.

"It's really comforting," admitted one of the seven girls among the 38 students. She started with qualms about choosing to read engineering but the month in Essex has dispelled them. "We think the course has worked."

The course originated from Marconi's view that existing graduate engineering education was taking too long to turn graduates into productive employees. The company wanted a course much stronger in a whole range of "support technologies" — people, commerce, and so on.

GEC is sponsiring the entire intake of students this year; 31 by Marconi group companies and the other seven from other GEC companies. The students have from three to 10 A-levels each, and good marks.

Did it worry them that defence dominates Marconi's activities? Not at all, they reply. "It's more interesting," volunteered a girl who is heing sponsired by Marconi Space and Defence Systems, engaged on some of Britain's most advanced weapon systems. More generally, had she played with Meccano as a child? I asked. "I wanted it but never got it."

Rather than hearing about Marconi in particular, the students learned how the modern electronics company must conduct its affairs in a highly competitive world market. They learned about systems, and how to look at the company, as well as the product, as a system. They learned about 'product enterprise," a term used by their tutors to cover all the customer and seller factors involved in creating, making and selling a new product. They learned specific skills—how to solder, how to test modern electronics, how to approach the task of designing.

They were placed in groups of six or seven at the start of the course, each containing at least one female. There were plenty of problems in the first week, says Hugh Wassell, former engineering director of Marconi and a principal architect of the new course. But gradually they sorted themselves out into management teams in response to engineering problems which demanded decisions. The teams delegated responsibility for different aspects of the problem, obliged each member to speak up for his own decisions, and elected a managing director to coordinate the process. "Real engineering in miniature," says Wassell.

Lucid

The four-week course ended with a public presentation by each group of its progress with an exercise involving the design, manufacture, marketing, etc. of a simple electrical component. Each group had critically to appraise its own design and its subsequent business decisions and face questions from an audience of company executives and industrial training personnel.

For so brief a period of instruction the students displayed a remarkable degree of sophistication about the way high technology industry works. They were self-confident, lucid and highly articulate. They were frank about weaknesses in their knowledge and experience, and the limitations of their designs. They parried questions with aplomb. They ventured the occasional sardonic opinion—for example, about the company form one student had seen which implied that nothing was legal and binding on Marconi.

The students will be back with the company next summer, and each summer thereafter until 1984. Then they will spend their final six months with the company, before qualifying for an M. Eng. degree. Unfortunately one man who has done much to shape their lives for the next four or five years will no longer be with them, for Prof. Gosling, head of Bath's School of Electrical Engineering, has been head-hunted by a rival organisation, Plessey. Other companies may care to take their cue and prepare to outbid GEC for the services of what promises to be a new breed of British engineer in the mid-1980s.

Business courses

Financial Reporting in the EEC —new developments, Brussels. November 13-14. Details from European Study Conferences, Kirby House, 31 High Street East, Uppingham, Rutland, LE15 9PY.

Labour Relations in Europe in the '80s. Brussels. November 26-28. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

Selection Interview Skills, Coventry. December 10. Fee: £50. Details from School of Industrial and Business Studies, University of Warwick, Coventry, CV4 7AL.

Telecommunications in the Eighties, London. November 11. Fee: £ . Details from Telecommunications Users' Association, Tress House, 3-7 Stamford Street, London SE1 9NT (Tel: 01-928 5989).

Building and Civil Engineering

£8.4m road work by Mowlem

A BIG road job in south east London has just been started by John Mowlem for the Greater London Council. It is due to be completed in the autumn of 1982.

Called the Thamesmead spine road section 3, the £8.4m contract calls for 1¼ miles of dual two-lane carriageway from Harrow Manor Way eastwards across Erith Marshes to Yarnton Way.

Over the marshlands, the road will have a pulverised fuel ash embankment on a drainage layer of granular material separated from the existing ground by a filter membrane.

The work will include five structures, the longest being a five-span flyover carrying the new road over Belvedere Road and the southern outfall sewer embankment. Three of the flyover's piers will be founded on driven piles, while the other three, owing to their proximity to the main sewers, will be supported by barrettes: large cast-in-situ piles formed by diaphragm walling techniques.

Flyover at airport to be built

LAING WIMPEY Alireza has been awarded a £3½m contract by the Saudi Arabian Ministry of Defence and Civil Aviation to build a two-span reinforced concrete flyover, approach roads and a 500 square metre extension to the terminal building at Abha civil airport.

Work starts soon and is due for completion within 15 months. Consulting engineers for the project are Netherlands Airport Consultants of The Hague.

Abha Airport was completed by Laing Wimpey Alireza last year in two phases totalling about £42.5m.

Mixture of jobs for Henry Boot

SEVERAL of the latest contracts awarded to Henry Boot are on fee and management contracting bases. Altogether the awards are worth about £4m.

The contracts cover construction and finishing of blocks of flats overlooking the River Thames at Nine Elms, London, completion of an office block in Eastern Road, Romford, and an office block and multi-storey car park at Richmond, all for Samuel Properties.

Other work includes refurbishment of a Harley Street, London clinic for American Medical (Europe) and two jobs for the Boot's Company—extension and fitting out of a branch in Town Square, Basildon, Essex and similar work at the branch in Hessle, Hull—and a housing contract for Milton Keynes Development Corporation.

£2m orders for Mansell

CONTRACTS worth over £2m have been awarded to R. Mansell. Two of them are for Guy's Hospital: one is for the building of a mortuary, involving extensive alterations to existing buildings and the second is the refurbishment and modernising of the chapel wing. Valued at £990,000 the works will be under the direction of architects, Watkins Gray. Both jobs are due for completion in October 1981.

Further refurbishment work includes the modernising of offices at Austin Friars, London, EC2, for Southern and South Western under a contract valued at £650,000. London and Paris Properties has placed a £185,000 order for refurbishing and structural alterations to form offices at Queen Street, London, W1, while at Henrietta Street, WC2, work has started on modernising office accommodation for the National Provident Institution. This work, to be completed by April 1981, is valued at £196,000.

Other orders, including work for the Industrial Bank of Japan, the Honorary Society of the Middle Temple and the Trustees of the Pollen Estate, are valued at over £200,000.

Coal winning job for Wimpey

WIMPEY CONSTRUCTION has won a £2m contract for the winning of opencast coal at Wernos Colliery, Tycroes, near Ammanford, South Wales.

The contract, which is just starting, is for the provisional extraction of 125,000 tons of opencast coal and includes preparatory works and ultimately restoration work.

This National Coal Board project is expected to extend to April, 1983.

A contract valued at £2.7m for the erection of 174 houses in Glenrothes North at Collydean, has also been awarded to Wimpey.

The majority of the houses will be erected in the company's No Fines system of construction but 28 single storey old peoples' cottages and one block of three/four storey flats of eleven units will be constructed in brick.

The contract also covers the erection of 35 precast concrete garages, paving works and associated site works.

The contract is due to start early in November and is scheduled for completion towards the middle of 1982.

Modernising homes

A CONTRACT for the modernisation of 140 council homes owned by Inverness District Council has been awarded to Drake and Scull (Scotland).

This contract, which is worth £2.3m, involves the installation of central heating, new bathrooms and kitchens, and the re-wiring of all the properties, together with external repair work and structural alterations. The work is due to be completed by spring 1982.

£2.7m batch of contracts

COMPANIES IN the London and Northern Group have won contracts worth over £2.7m.

These include awards worth £1.55m for Border Engineering Contractors of Whitehaven for 24 dwellings for North Eastern Housing Association at Wigton, administration offices for British Gas Corporation at Workington and fire hydrant mains for Thames Board Mills also at Workington collectively worth £480,000. Other contracts are for 26 dwellings at Appleby for Eden District Council (£409,258) and alterations to form new offices at Lancaster for Lancaster District Council (£664,694).

In North-East England, Wilsons (Spennymoor) has won new orders totalling £410,000 for re-vitalisation work for Sedgefield District Council and the North-Eastern Housing Association, while James Richmond and Sons has been awarded land drainage contracts in Lincolnshire valued at £165,000.

In Scotland, Simpson McLaren, has been awarded a £260,000 contract for the conversion of a tenants meeting hall at West Drumoyne for Glasgow District Council and in the Midlands, E. Fletcher (Builders) has won a £340,000 contract for re-habilitation work on 50 houses at Bradwell for the Borough of Newcastle-Under-Lyme.

£2m shops centre

A NEW shopping centre for the Werrington District of Peterborough New Town is to be built by Bryant Construction.

The contract is worth £2m and work, which is now starting, is due for completion in 30 months.

The Centre will comprise 20,000 sq ft of shopping units and offices, a 30,000 sq ft supermarket, a police station, and a 3,600 sq ft public house.

Leech gets £1.7m worth

LEECH Construction the newly-formed division of Leech Homes (North East) has won two contracts totalling over £1m.

The largest is worth just under £800,000 and entails the building of 49 council houses at Errington Place, Prudhoe for Tynedale District Council.

The other contract has been awarded by Conder, Northern which has sub-contracted Leech Construction to carry out the main building works of a new office block development for St. James Properties in Newcastle.

Leech Homes (Scotland) is carrying out a £700,000 housing project at Innellan, Dunoon, which will eventually accommodate U.S. Navy personnel.

£4½m awards to Norwest Holst

CONTRACTS worth £4½m have been won by Norwest Holst.

Among the larger awards is a £1½m contract from Laing Properties for the construction of six industrial units at the Brent Trading Centre, North Circular Road, Neasden, London.

Other contracts are for building and civil engineering works for a coal preparation plant at Bolsover colliery in Derbyshire (£642,000), and for work in connection with the Angelsey to Stanlow pipelines for Shell UK Oil.

There is also a £183,200 contract from Remploy for factory alterations at Dock Road Industrial Estate, Wallasey, a £71,450 contract for alterations to a factory at Knowsley Industrial Estates Corporation, and a £1½m contract from the Water Research Centre for research facilities on the Blagrove Industrial Estate at Swindon, Wilts.

Smaller awards, bringing the total to £4½m have gone to Norwest Holst companies Nott Brodie (£241,000), Marshall Andrew (£435,000), British Airways Authority (£285,000) and Eastbourne Waterworks Company (£200,000).

Hallam Group kept busy

SPECIALIST IN instant accommodation and system building, the Hallam Group of Nottingham, has just announced contracts worth £4m.

Volumetric housing accounts for £1½m worth of new business contracts for the company's volumetric system which has been agreed with the City of Nottingham and Mendip District Council in the public sector, and Leech Homes in the private sector.

The company says it can deliver a house, decorated and fully equipped, ready for cladding, tiling, connection to mains services, and ready for occupation inside two weeks.

The company's Linpac system is to be used for additional office accommodation by the United Kingdom Atomic Energy Authority and Smiths Industries. This is an entirely portable, flexible, self-contained relocatable accommodation method which can be added to and altered to meet changing needs.

Used extensively at Stansted Airport and in a major extension programme to Papworth Hospital in East Anglia is the Derwent system which the company says has been tried and tested for over 25 years. Based on a range of standard sized panels, it is being continually developed to minimise maintenance costs and improve energy conservation standards.

Export business has been expanded with the announcement of Dutch and French contracts worth nearly £¾m.

In the Netherlands, the Linpac system is being used by local authorities in schools and other educational establishments.

The company says it has successfully negotiated contracts in France for Hallamcabin—a self-contained, linkable, stackable end relocateable unit.

Work overseas also includes the extension to a college in Khalifa Town, Qatar, the design of which is based on the Derwent system. This is the second extension to the college and brings the total contract value here to £1½m.

Estimating is not so laborious

A COMPUTER software package which releases the building estimator from the drudgery of calculation is now available from Genesys, the software house.

Called "Interest" (Interactive Estimating) the package was developed with government funding at Loughborough University of Technology.

It is based on the manual procedures commonly employed in estimating departments and, according to Genesys, does not attempt to replace the estimator or his method of working.

Features include the ability to price bill items in any order, the introduction of new resources into any estimate and movement of money within the bill to achieve adjustments without affecting the overall tender price. Genseys is on 0509 39185.

Industrial project in Northampton

PLANNING application has been made for the industrial development of the site of the former power station in Northampton.

Consultant architects are Dennis Bray, Edwin Williams and Partners. Total area of the site is 6.63 acres and the proposals cover provision of "nursery" units, offices, car parking facilities and access roads.

In brief

● Tenders are due to be received at the end of this month for a £3m cement storage and distribution depot at Carlisle, Cumbria for Blue Circle Cement. It will occupy a 6-acre site and replace a temporary depot.

All-round insulation

EXTERNAL AND internal insulation systems have been announced by Blue Circle Industries and Biltonglow.

A premixed rendering material for insulating outer walls is based on Portland cement, expanded polystyrene beads and resin additives, and needs only the addition of water on site. Called Thermacote, it is applied by trowel or spray, usually to thicknesses of between 30 and 60 mm, dependent upon the degree of thermal insulation required. This is used in conjunction with Fibrocem Blocmix and Blue Circle High Build, says Blue Circle, to produce a thermally efficient, impact and weather resistant system which may be easily applied by any competent plasterer.

Blue Circle has also launched Thermascreed, a polystyrene aggregate concrete premix for giving thermal insulation to floors and flat roofs. It can be laid by conventional methods or, alternatively, it may be mixed and pumped mechanically. When used for floors it can be surfaced with a sand cement screed and on roofs a thin cement/sand screed to provide a surface suitable to receive most waterproof coverings (more on 01-828 3456).

Said to reduce industrial heating bills by up to 25 per cent is a technique from Biltonglow (01-874 4123), which provides, in one operation, insulation, waterproofing and reinforcement of roofs, walls, ceilings and storage containers.

Urethane foam is applied by mixing resin and polyisocyanate together under pressure and then spraying it as a foam gel which expands to thirty times its volume within seconds.

Solidification of the foam takes place during this expanding process to provide a rigid layer of about 20 mm thick. Any number of layers can be applied to give either the structural or the insulation factor required.

This system of treatment can be applied to most materials including wood, steel, plastic coated sheet, asbestos, concrete, etc., and, where necessary, additional treatment can provide Class I fire retardent properties.

Equipment is easier to instal

WHERE NEW air handling equipment has to replace old plant in existing premises there is often a problem of accessibility — obstacles, buildings and clutter may have accumulated in addition to original restrictions — which is why Fastbuild should prove ideal, says Ventilation Equipment and Conditioning, 316 Latimer Road, London, W10 (01-969 7353).

This principally consists of a series of pentaposts which can be inter-connected on site with self-locating corner pieces and requires no special jigs or tools. All that is needed is one man with one mono-bolt gun.

The Vequip unit can be assembled part-by-part provided there is adequate space to allow the main elements (fan, coil, etc.) to be moved into the site area.

Component parts of the air handling unit module include pentaposts and corner pieces together with double-skinned enclosure panels. Latter are self-locating on the rebates formed by the pentaposts, involve minimal labour, and can be handled separately through an inaccessible area.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Oct. 28-30	Electronic Test and Measuring Instrumentation Exhibition (0822 4671)	Wembley Conference Centre
Oct. 28-30	National Housing and Town Planning Exhibition and Conference (01-686 5741)	Metropole Hall, Brighton
Oct. 28-30	Control and Instrumentation Exhibition (01-855 7777)	Harrogate
Nov. 4-6	Computer Peripheral and Small Computer Systems Exhibition and Conference (01-837 3636)	Olympia
Nov. 4-9	Kensington Antiques Fair (04868 22562)	Kensington New Town Hall
Nov. 6-16	Caravan Camping Holiday Show (01-353 4000)	Earls Court
Nov. 8-16	Daily Mail International Ski Show (Medway 47111)	Earls Court
Nov. 9-11	International Garden and Leisure Exhibition—GLEE (01-546 6757)	National Exhibition Centre, Birmingham
Nov. 11-13	Fast Food Fair and Conference (01-837 3636)	Metropole Hall, Brighton
Nov. 11-14	London Business Equipment Exhibition (01-405 6233)	Cunard Intnl. Hotel, W6
Nov. 12-15	International Festival of Wine (0703 32348)	Post House Hotel, Southampton
Nov. 16-19	Sunday Times Business to Business Exhibition (01-407 4046)	Belle Vue, Manchester
Nov. 24-29	International Food, Wine and Kitchen Exhibition (06284 2442)	Magnum Exhibition Centre, Leicester

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Exhibition of Inventors and Novel Features (01-278 0281) (until Oct. 29)	Brno
Nov. 3-8	International Engineering Exhibition—ENKOR (01-681 7688)	Seoul
Nov. 4-7	International Trade Fair for Clothing Textiles—INTERSTOFF (01-734 0543)	Frankfurt
Nov. 8-16	International Boat Show (01-540 1101)	Copenhagen
Nov. 9-14	Middle East Building Materials and Construction Industry Exhibition (01-486 1951)	Bahrain
Nov. 14-23	Mining Industry Technical Fair—TECNOMIN (01-681 7688)	Lima
Nov. 17-22	International Packaging Exhibition (01-439 3964)	Paris
Nov. 19-22	Medical and Technical Exhibition and Congress—MEDICA (01-409 0956)	Dusseldorf
Nov. 19-22	International Hospital Engineering Exhibition and Conference—HOSPEX (01-486 1951)	Tokyo
Nov. 19-29	Pacific International Trade Fair (01-681 7688)	Lima
Nov. 24-29	Oil and Gas Industry Equipment and Services Exhibition (01-935 8200)	Mexico City
Dec. 8-12	International Machine Tool and Woodworking Show—METALASIA (01-486 1951)	Singapore

BUSINESS AND MANAGEMENT CONFERENCES

Oct. 27-28	AMR International: Planning and Control Techniques for Managing Maintenance Operations (01-262 2732)	Amsterdam
Oct. 27-30	Brunel Institute: Job Evaluation—The settling of differentials (0895 56461)	Uxbridge
Oct. 28	The Institution of Production Engineers: The Control of Automated Assembling Machines using I.C. Systems (01-579 9411)	London, W5
Oct. 28-Nov. 1	Admap: What Price Marketing? Justifying Expenditure In a No-Growth Economy (01-379 6576)	Vienna
Oct. 29-30	Institute of Personnel Management: Recruitment Advertising and Communications (01-387 2844)	Embassy Hotel, W2
Oct. 29	CBI/BASATA: India 1980 (061 707 2190)	Ld. Daresbury Htl, Warringt'n
Oct. 30-31	FT Conference: Australia—The Attractions for Future Investment (01-621 1355)	Melbourne
Oct. 30-31	AMD Legal: Essential Management Law—Refresher (07535 56047)	London
Nov. 3-4	FT Conference: Investment in Malaysia (01-621 1355)	Kuala Lumpur
Nov. 4	Gwilym Jenkins: Forecasting For The City (0524 61831)	Clifton Ford Hotel, W1
Nov. 5	Abecus: Health and Safety in the Printing Industry—Reducing the Risks: Avoiding Confrontation (0604 881300)	Mount Royal Hotel, W1
Nov. 5-6	MTC: The Skills of Interviewing (0533 27062)	Leicester
Nov. 6-7	Graham and Trotman: Argentina and Chile—New Business Opportunities (01-493 6351)	Hilton Hotel, W1
Nov. 11	Oyez-IBC: Food Law for the 1980s (01-242 2481)	Princess Anne Theatre, BAFTA, W1
Nov. 13	London Chamber of Commerce: UK/Soviet trade conference (01-248 4444)	69 Cannon Street, EC4
Nov. 13-14	Keplinger and Associates: Symposium on Oil and Gas Investing and Financing (01-584 4351)	London
Nov. 13	IPM: Industrial Relation Law (01-387 2844)	London, WC1
Nov. 14	Gower: Choosing and Using an Insurance Market (01-240 5931)	Waldorf Hotel, WC2
Nov. 17-18	AMR International: Using Advanced Techniques in International Mechanics (01-262 2732)	London Press Centre, EC4
Nov. 17	Institute of Directors: The Common Market (01-839 1233)	Pall Mall, SW1
Nov. 18	Heliotechnic Educational: Opportunities for Marketing and Investment in Solar Energy (01-240 2430)	Pall Mall, SW1
Nov. 18-19	FT Conference: Retail Banking (01-621 1355)	Grosvenor House, W1
Nov. 20-21	FT Conference: Employment in the '80s (01-621 1355)	Grosvenor House, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● PROCESSING

Algae purify effluent

AECI, SOUTH AFRICA'S lesding chemicals group, has developed a process for the purification of industrial effluent by mass cultivation of algae—which can then be used as protein for animal feeds.

A demonstration plant to produce 200 kilogrammes s day of dried algae will come into production at the beginning of next year. Tests are still being conducted on using the algse in animal feed mixtures.

The process involves the addition of carbon compounds, pboaphorous, and other nutrients to the effluent to make it rich enough for algse culture. It was discovered in the conrse of finding ways of removing nitrogen from AECI's explosives factory at Modderfontein, outslda Johannesburg.

"This is an enormonsly expensive process if done chemlcally," Mr. N. A. Lever, AECI's environmental and services manager, said. "As algae thrive on a diet of nitrogen, it was decided to study the feasibility of algal mass culture as a means of removing the nitrogen, and help defray costs hy baving a saleable commodity at the end of the line."

The company bas auccessfully cultivated the algae, first in laboratory flasks containing non-organic nitrogenous effluent, then in small scale end pilot plant experiments. Problems of harvesting and drying the algae bavé also been overcome.

The multi-stage demonstration plan, costing some R750,000 (£420,000), will usa methods already patented by AECI locally, and in Israel, which has a similar climate. Although similar experiments have been carried out in the U.S., Japan and Israel on organic sewage, AECI balieves it is the first to use industrial effluent.

"This could be a most significant development in animal feed production," Mr. Lever said. "Algae can replace ingredients such as fishmeal and expensive soya products in animal feeds."

It is considered particularly suitable for mono-gastric animals such as poultry and pigs.

Modderfontein's specially cultured algae contain more than 50 per cent protein, compared with about 9 per cent for maize, and 8 per cent from natural grazing.

AECI is jointly controlled by Britain's ICI and the De Beers group of South Africa.

AECI can be reacbed on Johannesburg 214651.

QUENTIN PEEL

● SECURITY

Safe storage of tools

LOSS OF tools on site can cause expensive delays, as well as the cost of replacements, and a solution to these problems is offered with the introduction of a roomy security chest for safe storage of tools, equipment or valuables, from Rentokil company Crusader Security Products, Security House, 7 Albion Place, Maidstone, Kent (Maidstone 677031).

This has been accepted by insurance companies as a secure form of storage, says the company, and has a capacity of 16 cubic feet, weighs 194 lbs, and is built of 3 mm continnously welded steel fitted with a specially protected high security lock conforming to BS 3621.

A special floating hinge is provided for easy access once the chest is opened and, as an extra precantion, locking pins are fixed along the leading edge of the lid.

The chest can be bolted to any surface through base holes reinforced with 6 mm plate and is said to be ideal for construction sites, dockyards, railyards, garages and so on and in any situation where costly equipment needs to be kept securely.

● MATERIALS

Sticks in wet areas

FOR USE in areas subject to frequent and prolonged wetting —sbower and washroom wall and floor areas, bath and basin surrounds, etc.,—is a ceramic tile adhesive, developed to meet the requirements of the forthcoming British Standard 5980 by Evode, Common Road, Stafford (0785 57755).

Apart from having exceptional adhesion and water resistant properties, Watertite is said to give off comparatively little odour in use.

Splashing £50m on power from the sea

BY ELAINE WILLIAMS

TEN BRITISH research teams in industry and the universities are competing for a £50m cbance to prove that they can bsrness the power of the sea on a commercial basis.

Only one of the wavepower systems under development will be cbosen for full-scale trials off the north west coast of Scotland —the Government says that it is too costly to try more.

So the teams have to prove that not only can their designs stand the rigours of the wildest sea storms hut that they can produce energy et e price which is competitive with power stations fired by coal, oil and nuclear fission.

A new oil-fired power station wonld produce energy at between 6.5 snd 7.5 p/kWh: coal costs only 3.5 p/kWh on average and nuclear energy costs 2.5 p/kWh. At present the average cost produced hy wavepower devices is around 25 p/kWh.

Wavepower is also competing with other forms of alternative energy sources such as windpower, geothermal and biomass which are beginning to look more promising and may hsve fewer problems sssociated with their development.

Industry observers helieve that hy next year the long term future — if there is one — for wavepower will become clear.

The basic idea is to convert the fluid power of the sea into electricity which can be supplied to the national grid to supplement the output of conventional power stations.

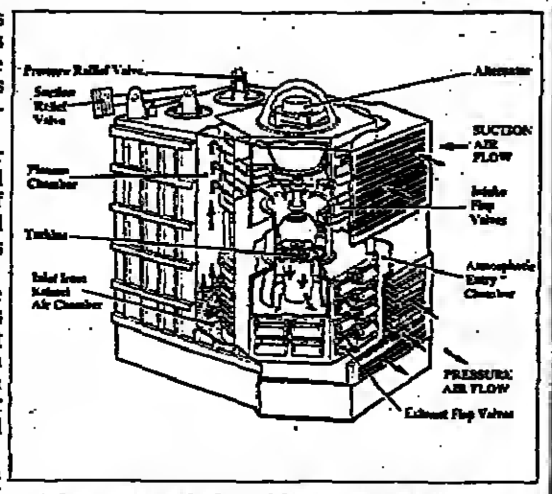
Designs for barnessing this energy are legion. One of the first types is exemplified hy Mr. Stephen Salter's "nodding duck" technique where groups of hinged platforms floating on the surface bob up and down. This mechanical movement is translated into power by hydraulic means. Sir Christopher Cockerell's articulsted raft uses the aame principle.

Both these systems are so sufficiently advanced that one tenth scale models have been tried out. Salter's ducks have shown they can provide energy et 20p/kWh while Cockerell's raft shows results of 30p/kWh.

Other researchers have employed the oscillating or "piston" action of waves. This is used to force a trapped amount of air through a turbine which then drives electric alternators to supply electricity.

Vickers is working on a version of this which it calls an oscillating water column and has produced electricity at a cost of 15p/kWh. Vicker's device is submerged beneath the sea's surface and anchored on the seabed.

A full scale installation would be 30 metres in diameter and 17 metres high, covered by about 7 metres depth of water. Two removable power modules, each containing an air turbine and generator, together with control and monitoring circuits, are placed above the column and locked into position.



Wave powered air-turbine generator, above; Lanchester Polytechnic's "ducks," 6 metres in length, right.

Based on this device Vickers has produced two other designs which the companies believes will eventually balve the cost of producing energy. About 90 per cent of the cost is simply to make the equipment. The Department of Energy recently provided £250,000 grant so that Vickers could carry on its work for another year.

Other examples of this kind of device is the "wave piston" under development at the Netional Engineering Laborstories at East Kilbride in Scotland. In 1978 they produced energy at a cost of 40p/kWh hut this bas since been improved to between 5p and 15p/kWh.

Lancaster University working with a company called Wavepower, has a system wbicb uses a long, thin semi-submerged structure—containlng two air filled bags. As the wave moves along the length of tbe device the bags are compressed and tbe air is moved in pulses along its length. These are fed lhrough a turbine to produce electricity.

This simple system has emerged as one of the mosl promising. When it was first tested in 1978 it could then produce energy at a cost of about 8p/kWh.

Bristol University used tbe idea of an air bag. This is a huge floating cylinder anchored so that it is parallel with the oncoming waves. The cylinder moves in a circular motion as the weves pass over il. This causes a downward force on the mooring cables. This force can be used to drive sereral pumps connected to a generator.

Another relatively new derice which produces low cost energy is known es the "clam" and is under development by Lancaster Polytechnic and Sea Wave Associstes. In trials it has produced energy at only 6p/kWh.

It comprises a floating central spine wilh several hinged flaps connected to it. Air bags connected between the flaps sct like hellows and pump air through turbines ss before.

The major difficulty in choosing one system out of many is lhat the one that produces the cheapest energy may not be the most suitable in the long term simply because it may be less rellable then the more expensive versions. For example, the claim operates by pumping air from one air bag to another—a fault in just one of the bags causes the whole system to feil.

On the other hand, consumers are unlikely to be willing to pay twice as much for their electricity provided by wavepower simply because the system is stable and reliable.

● LABELLING

Resists the weather

A MATERIAL with a white, matt paper-like surface can be printed by silkscreen, letterpress, litho and flexograpby, using inks specially developed for the product, and is suggested for warning instructinns and identification labels in extremes of environmental conditions.

Dispensed hy hand-operated, semi and fully automatic dispensers and applicators with either mechanical, photo-electric or air-sensory systems, the labels are called Tyvek 75 and produced by Bunzl Adhesive Materials, Meteor House, White Lion Road, Amersham, Bucks

Spend for your country's sake

BY SAMUEL BRITTAN

MANY misguided people, some of them in very high places, are urging us to "buy British," even where the foreign product has a slight edge.

This is the patriotism of the simple-minded. Apart from anything else, it will simply drive up the sterling exchange rate still further, and lead to a loss of exports comparable in size to the import-saving itself.

Nevertheless, if people want to act patriotically, there is something they can do. This would be not to "buy British," "buy French," or "buy American," but simply to buy. They should make purchases now, which might otherwise have been deferred for a year or two.

Consumer spending is now adding to the forces making for recession. It could be usefully stimulated without rekindling inflation—if it is done without destroying the Government's monetary and fiscal strategy.

The issue comes to mind because Mr. Wynne Godley, writing in the Times of October 22, reminds me of an article of my own on June 28 last year. This was entitled "Cheers for a Strong Pound." In it I cited some work co-authored by Professor Terry Burns on the effects of sterling appreciation.

Competitiveness

It suggested that after four or five years the adverse effects on competitiveness would have disappeared (assuming that there are no forces such as North Sea oil requiring a decline in competitiveness). The main results would be a lower rate of British inflation over the period. A subsidiary argument was that, even in the first couple of years, when competitiveness was suffering, there would be a negligible effect on output and employment.

Professor Burns is well able to speak for himself. My own reasons for believing the argument were that there are many offsetting forces acting to stimulate real spending when the currency appreciates. Consumer income is raised because of better terms of trade; and, because of lower inflation, both actual and expected, people have to save less to maintain the real value of their financial asset (the "real balance effect").

I still believe that the net short-term effects of currency appreciation on output can be in either direction. But at present the depressive effects are proving stronger. The reason is that, although the inflationary motives for saving have declined, fears of recession and unemployment have taken over and encouraged people to increase their nest-eggs. Consumer spending has fallen from £18.1bn in the first quarter of 1980 to £17.5bn in the third quarter. The savings ratio has risen from 10.5 per cent in 1977 to 13.8 per cent in 1979, and 14.3 per cent in the first half of 1980.

Voluntary

The great advantage of a voluntary spending spree is that it is self-correcting. For given long-term incomes, if people buy more now, they will buy less later: but in the meantime they will have helped to stem a cumulative downturn. By contrast, a Government fiscal stimulus—say, through the use of a consumer tax regulator—would be far more difficult to reverse. Apart from economic wishful thinking, political pressures would make it extremely difficult to reverse the change sufficiently early.

Even more important, a discretionary increase in the Budget deficit, over and above that brought about by the recession, would damage the credibility of the Government's financial strategy and add worsened inflationary expectations to the existing problems of recession. A self-generated increase in spending need not have these perverse effects.

Of course, higher consumer spending might lead to a slower fall in the cost of borrowing for Government or industry than might otherwise be expected. But at present, the net effect would almost certainly be expansionary. For your country's sake, spend now.

Complex consumer services a reason why the customer is often wrong in law

IN THE simple world of yester-year the ordinary citizen was his own best guide as to what he bought. When he purchased a pound of tomatoes he had only himself to blame if they were unripe.

Even then, the law stepped in from time to time to protect the buyer of adulterated wine or mouldy bread. But consumer protection was on a limited scale, available to the buyer only against his seller.

Protection

Today, with such an enormous variety of goods available — many of them pre-packed or mechanical or of intricate workmanship so defects or deficiencies are effectively unseen — the need for consumer protection is much greater.

In the highly complex world of consumer services, legal rules are required to redress the imbalance between the individual purchaser and the manufacturers and suppliers of goods.

Retailers, manufacturers and those who provide the manifold consumer services have for long banded together in trade organisations and associations to promote their respective interests, often to the detriment of the consumer. Only in the past few years have consumers recognised the need to join together to combat the effects of these interests.

It may be a cherished adage of the consuming public that the customer is always right, but in the eyes of the law the saying has never been significant. Times are, however, changing and the law is gradually attaching importance to the need to protect the purchaser. This fact is reflected in an important book just published, An Outline of the Law of Product Liability and Consumer Protection, written by a practising solicitor, Ronald Irving. The title itself reflects the novelty of legal concern.

Product liability is concerned with the civil liability of manufacturers, retailers and distributors for injury or damage caused by defective products. It is a term that has transatlantic origins and is just beginning to find its way into the vocabulary of the English lawyer.

Defective

As the English lawyer adopts the American pattern of development in the field of consumer protection, so inevitably will manufacturers find themselves liable to compensate consumers whenever a defective product causes personal injury.

At present, the manufacturer's liability unlike the seller's is based on the notion of fault. To prove negligence is often extremely hard, at least if the buyer has no access to the factory floor to find out what went wrong.

The most serious instances occur where a medicine is marketed without sufficient research into the potential side-effects. The story of the thalidomide disaster is a case in point. Similarly, dangerously designed vehicles can be hazards to life and limb. English law has for long imposed a strict liability on the retailer but as yet has not extended the same liability to manufacturers.

THE WEEK IN THE COURTS

BY JUSTINIAN

The manufacturer's liability is related solely to negligence. The Consumer Safety Act 1978 is a notable exception. A manufacturer or dealer who supplies goods which breach a regulation made under that Act is subject to strict liability for the breach.

Almost a century ago the Sale of Goods Act, 1893 laid down that an article must be reasonably fit for its purpose. If the seller failed to comply with this requirement it was no excuse for him to say he took reasonable care, or even all possible care, to guard against the defect.

Such strictness of liability was, however, only the seller's and not the manufacturer's. A shop keeper who sells a tin of food that turns out to be infected cannot excuse himself from meeting a buyer's claim for medical expenses, loss of time off work and general compensation.

The classic case was *Frost v Aylesbury Dairy* where Mrs. Frost died after drinking milk contaminated with typhoid. The judge accepted as fact that no extra care taken by the dairy could have prevented or detected the infection. Nevertheless the dairy was held liable to compensate the husband.

That case pointed, however, to a serious gap in the law. Had Mrs. Frost survived and sued (Mr. Frost successfully sued, as the buyer, for the loss of his wife's "services") she would have had no right to compensation, even as the law stands at present.

It is the urgent need to close this gap, by conferring on members of the buyer's family the same rights as the buyer, that has led to calls for legislation. Owing to a deeply imbedded adherence by English judges to the rule of privity of contract, such a development has been stunted.

(In some of the claims against travel agencies the courts have recently been taking into account the distress to the consumer's family caused by a spoiled holiday.)

Liability

Our judges have declined to emulate their brethren in the United States, where a preparedness to abandon the concept of negligence in favour of strict liability has led to a real protection for consumers.

And it is perhaps too late to expect that any change can come from that source. Only Parliament can effect the radical shift in product liability.

The draft EEC directive on product liability proposes that a producer should be held strictly liable for damage caused by a defect in any product he puts on the market, unless he can prove it was not defective when he put it into circulation.

Change

If that proposal is accepted by the member States of the EEC it will effect a profound change in both inter state trade as well as national trade.

In March, 1978, the Royal Commission on Civil Liability and Compensation for Personal Injury reported in favour of placing strict liability on the manufacturer for personal injury or death. But, unlike the EEC recommendation, it did not think that the same liability should cover damage to property also.

There still lurks, even among legal reformers, a reluctance to go all along the road towards the fullest protection for consumers against those who put defective goods on to the market. Legal traditions die hard, even in the face of overwhelming clamour for change.

The two-year-old race to forget

RACING

BY DOMINIC WIGAN

THERE CAN seldom, if ever, have been a more disappointing race for a group one event than Saturday's William Hill Futurity. The favourite, Robellino, looked to be feeling the effects of a busy summer as he came under pressure, to no avail, fully three furlongs from home, while the Criterium winner, Recitation, was done with soon after.

He, too, may have been going to the well once too often. It was left to Beldale Flutter and Shergar to fight out the finish to the season's most valuable two-year-old race, which probably took little more winning than the average maiden event, at Newbury.

The winner, Beldale Flutter, a particularly astute buy by Michael Jarvis at $20,000 (about £8,300) had previously finished only fourth behind Robellino in the Royal Lodge Stakes, while Shergar had lined up for Saturday's near £40,000 prize with one maiden success behind him.

All in all, the general post race quotes among the multiples of 20-1 against Beldale Flutter landing the 2,000 Guineas, and 25-1 about the same colt, in the Derby, look cautious to say the least. A more realistic price for either race would probably be 50-1.

Today, Willie Carson should, finally, put the jockeys' championship beyond Lester Piggott's reach with two or three winners at Chepstow. There his "banker" is, surely, John Willoughby in the final division of the Whitsbury Manor Stakes. At Nottingham, where Piggott's presence should help the turnstyles, I hope to see Dobrina score for Scobie Breasley.

CHEPSTOW

1.30—Rags and Bags
2.00—Royal Heritage
2.30—Dunderave**
3.00—Paddle Wheel*
3.30—Josuvy
4.00—John Willoughby

NOTTINGHAM

1.30—Hit the Road
2.00—Campton
2.30—Le Champ Talot
3.00—Sky Walk
3.30—Tallishire Abode
4.00—Dobrina***
4.30—Whitworth

TV/Radio

BBC 1

9.00 am For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 3.15 Songs of Praise, Hartlepool. 3.53 Regional News. 3.55 Play School. 4.20 Winsome Witch. 4.25 Jackanory. 4.40 Jana of the Jungle. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 Adventures of Morph.

5.40 News.
5.55 Nationwide.
6.55 Angels.
7.20 Star Trek.
8.10 Panorama: Ronald Reagan.
9.00 News.
9.25 Film: "The Wilby Conspiracy." Sidney Poitier, Michael Caine.
11.05 Film 80, Barry Norman.
11.33 News.
11.35 The Past at Work.
12.05 Weather.

All Regions as BBC1 except as follows:

BBC Cymru/Wales—1.45-2.01 Pili Pala. 5.55-6.20 Wales Today. 6.55-7.15 Heddiw. 7.15-8.10 To Serve Them All My Days. 12.05 am Weather, News.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm News. 5.55-6.20 News. 11.35 News.

Northern Ireland—3.53-3.55 pm News. 5.55-6.20 News. 12.05 am Weather, News.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.00 am Treatment of asthma.
10.25 Role of the Nurse.
11.00 Play School.
11.25 Write Away.
2.15 pm Let's Go.
3.00 Make Your Own Furniture.
3.30 Time Out of Mind.
4.15 Is There Life After School?
†5.40 Harold Lloyd. Film excerpts.
6.05 All Creatures Great and Small.
6.55 Cartoon Two.
7.10 News.
7.20 Living on the Land.
7.45 Wainwrights' Law.
8.10 Des O'Connor.
9.00 Not the Nine O'Clock News.
9.25 Horizon: Safety factors in nuclear reactors.
10.15 Film: "Rifleman."
10.45 Newsnight.
11.30 Heute Direkt.

LONDON

9.30 am Schools programmes. 12.00 We'll Tell You A Story. 12.10 pm Rainbow. 12.30 Village Action. 1.00 News. 1.20 Thames News. 1.30 Farmhouse Kitchen. 2.00 Against The Wind. †2.30 Film: "Gangway," Jessie Matthews. 4.15 World Cup 1980 Gymnastics from Toronto. 5.15 White Light.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Give Us A Clue.
7.30 Coronation Street.
8.00 In Loving Memory.
8.30 World in Action.
9.00 The Mean Machine.
10.00 News.
10.30 The Mean Machine (cont.)
11.45 New Avengers.
12.45 Sit Up and Listen, Donald Swann.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "The Counterfeit Killer." 5.15 University Challenge. 6.00 About Anglia. 6.30 Survival. 11.45 Barney Miller. 12.15 The Other Day.

ATV

1.20 pm Midlands News. 1.30 About Britain. 2.00 Farmhouse Kitchen. 2.30 Something Different: Joan Palmer and her mongol child. 2.45 Film: "Grasshopper Island." 5.15 Mr. and Mrs. 6.00 Regional News, sport. 6.00 Vegas. 10.30 Left, Right and Centre. 11.10 News. 11.15 Dougal UXB. 12.15 am Something Different: Irena Ioon, clairvoyant and palmist.

BORDER

1.20 pm Border News. 2.00 Film: "A Night to Remember." 5.15 George Hamilton IV. 6.00 Lookaround Monday. 6.15 Mr. and Mrs. 6.45 Brain of the Border. 11.45 Barney Miller. 12.10 am Border News.

CHANNEL

1.20 pm Channel News. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "That Lady from Peking." 5.10 University Challenge. 6.00 Channel News. 6.10 Then Came Bronson. 11.45 The Entertainers. 12.10 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "The Games." 5.15 Mr. and Mrs. 6.00 North Tonight. 6.35 Country Focus. 11.45 The Palace Presents Roger Miller. 12.40 am Reflections. 12.45 News.

GRANADA

1.20 pm Granada Reports. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "Woman's World." 5.15 Alright Now! 6.00 Granada Reports: Sport. 11.45 Superstar Profile: Michael Douglas.

HTV

1.20 pm HTV News. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "Exo-man." 5.15 Mr. and Mrs. 6.00 Report West. 11.45 Weather.

HTV Cymru/Wales—As HTV West except:—10.05-10.20 am About Wales. 10.40-11.00 French. 11.05-11.20 Am Gymru. 12.00 pm Ffalabalam. 4.15-4.45 Spidermon. 4.45-5.15 Sêr. 5.00-6.25 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm News. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "Final Eye." 5.15 Circus. 6.00 Scotland Today. 6.40 Crimedesk. 11.45 Late Call. 11.50 George Hamilton IV.

SOUTHERN

1.20 pm Southern News. 1.20 About Britain: Dartmoor. 2.00 Houseparty. 2.25 SAD Cats. 3.45 Farmhouse Kitchen. 5.15 Diff'rent Strokes. 6.00 Day by Day. 11.45 Police Surgeon. 12.15 am Weather; Music Speaks Louder Than Words.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "The 39 Steps." 5.15 Black Beauty. 6.00 North-East News. 6.02 Double Top. 6.30 Northern Life. 11.45 The Sound of . . . Vince Hill. 12.00 Meet the Faith.

ULSTER

1.20 pm Lunchtime. 2.30 Film: "East of Sudan." 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 6.00 Designer to the Stars. 9.30 Do You Remember? 10.30 By This I Live. 11.00 Benson: "Change." 11.30 Bedtime.

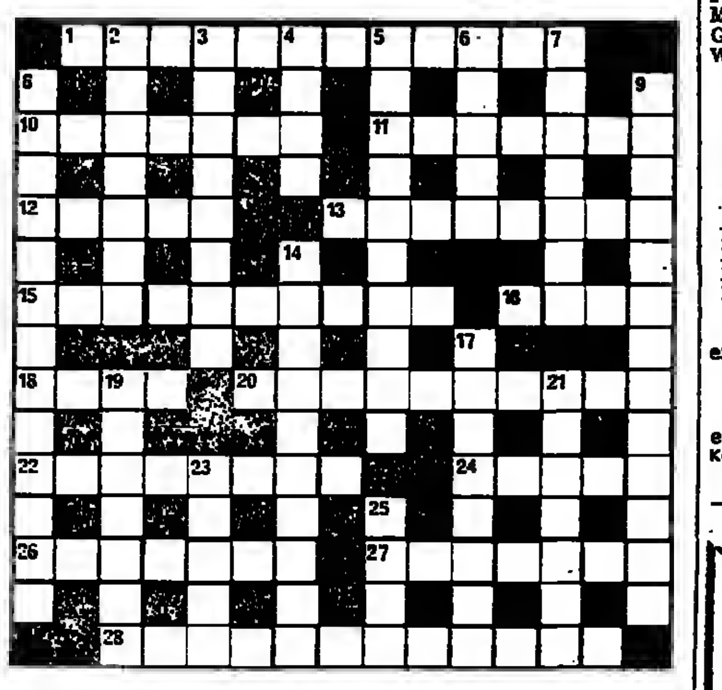
WESTWARD

1.20 pm Westward News. 1.20 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "That Lady from Peking." 4.12 Gus Honeybun's Birthdays. 5.15 University Challenge. 6.00 Westward Diary. 11.45 The Entertainers. 12.10 am Faith for Life. 12.10 Weather.

YORKSHIRE

1.20 pm Regional News. 1.30 About Britain: Dartmoor. 2.00 Farmhouse Kitchen. 2.30 Film: "Nurse Edith Cavell." 5.15 Mr. and Mrs. 6.00 Calendar. 6.30 Mind Your Language. 11.45 Jazz.

F.T. CROSSWORD PUZZLE No. 4,410



ACROSS

1 Apprehend a pair of sailors and get more than you bargained for (5, 1, 6)
10 Racing expert left inside by drinker (7)
11 Troop noticed cutter (7)
12 Wasn't there excuse for a Steel supporter taking one? (5)
13 Guide to time cheap form of travel (8)
15 Organise power to become excited (3, 2, 5)
16 Allowed to embrace Scots leader in case (4)
18 Bound to hear of season (4)
20 Promising to be satisfactory (10)
22 Like to behold navy jilted (8)
24 Condone group sheltering African (5)
26 Present husband as fair proprietor (7)
27 Bowler making up yarn (7)
28 Urban ways coming up well in the lead (7, 5)

DOWN

2 Bringing up father to spot fix (7)
3 Name one American writer confused by muse (8)
4 Well-ventilated first-class railway (4)
5 Bar traitor from becoming an umpire (10)
6 Can for example bring up suspicion (5)
7 Her peas may be put in another form (7)
8 Direct full hand at cards (8, 5)
9 Clean up before directors win everything (5, 3, 5)
14 Way novelist goes to river (2, 8)
17 Flourish concoction made with hooks (8)
19 Winding, complicated dive has nothing on us (7)
21 Bloomer in one bag I resolved (7)
23 Feeble right to halter (5)
25 River with two lives (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.32 Simon Bates. 10.32 Andy Peebles. 12.30 pm News. 12.45 Paul Burnett. 2.32 Simon Bates. 3.32 Peter Powell. 5.30 News. 5.31 Stayin' Alive. 7.31 Mike Read. 10.02 John Peel (S).

RADIO 2

5.00 am News, weather. 5.03 Ray Moore (S). 5.16 Pause for Thought. 7.32 Terry Wogan (S). 8.27 Racing. 8.45 Pause for Thought. 9.03 Favourite Singles. 10.02 Susannah Simons (S). 12.03 pm David Hamilton (S). 1.45 Sports. 2.03 Ed Stewart (S). 2.45, 3.45 Sports. 4.03 Much More Music (S). 4.45, 5.45 Sports. 6.03 John Dunn (S). 5.45 Sports. 8.02 Folk (S). 9.02 Humphrey Lyttelton (S). 9.55 Sports Desk. 10.02 Free Spin. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight. 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Walton (S). 10.00 Chopin piano recital (S). 10.45 Praetorius Consort Recital, including Short Ayres by Anthony Holborne and dances from the School of Gregorio Lambranzi (S). 11.25 Hallé Orchestra Concert (S). 1.00 pm News. 1.05 BBC Lunchtime Concert: String Quartet recital. 2.05 Matinee Musicale Concert (S). 3.05 Messiaen and Sherlaw Johnson piano recital (S). 3.50 New Records of music by Elgar and Brahms (S). 4.55 News. 5.00 Mainly for Pleasure with Noel Goodwin (S). 7.00 Olympian Celebration: a musical reconstruction of Pindar's ode "Olympian I" (S). 7.45 Jazz in Britain introduced by Charles Fox (S). 8.15 Manuel de Falla (S). 8.30 Wexford Festival Opera 1980: "Of Mice and Men" (S). 11.15 News. 11.20-11.30 Berkeley on record (S).

RADIO 4

5.00 am News. 6.10 Farming. 6.25 Shipping forecast. 6.30 Today. 6.45 Prayer for the Day. 7.00, 8.00 News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 John Ebdon explores BBC sound archives. 9.00 News. 9.05 Start the Week with Richard Baker. 9.55 Royal British Legion. 10.00 News. 10.02 Money-Box. 10.30 Service. 10.45 Story Time. 11.00 News. 11.05 You the Jury. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 Lord Peter Wimsey. 12.55 Weather. 1.00 World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.35 Askey's Hall of Fame. 4.45 Short Story. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather. 6.00 News. 6.30 Not a Penny More, Not a Penny Less (S). 7.00 News. 7.05 The Archers. 7.20 Quote . . . Unquote (S). 7.50 Monday Play (S). 9.20 Kaleidoscope. 9.59 Weather. 10.00 News. 10.30 Science Now. 11.00 Book at Bedtime. 11.15 Financial World Tonight. 11.30 Today in Parliament. 12.00 News, weather. 12.15-12.23 am Shipping forecast.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.15 Entertainment in Town and Advice for back-pain sufferers. 10.03 Robbie Vincent Telephone Programme. News. 1.03 pm London Live. 3.15 Swap Shop. 4.30 News. 5.35 Music on the Move. 7.03 Black Londoners. 8.00 Question Time, House of Commons. 9.00-5.00 am Join Radio 2.

London Broadcasting

6.00 am AM, Douglas Cameron and Alison King. 10.00 Brian Hayes. 12.00 LBC Reports. 2.00 pm LBC Reports. 4.00 LBC Reports. 8.00 LBC Reports. 8.00 After-Eight Special. 9.00 Nightline. 12.00 LBC Reports. 1.00 am Night Extra. 3.30 Cinema. 4.00 After-Eight Sunday. 5.00 Morning Music.

Capital Radio

2.00 am Duncan Johnson's Night Flight (S). 6.00 Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Graham Dene (S). 3.00 pm Roger Scott (S). 7.00 London Tonight with Bryan Wolfe (S). 9.00 Alan "Fluff" Freeman (S). 11.00 Tony Myatt's Late Show (S).

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3161. CC. 240 5258. ENGLISH NATIONAL OPERA [illegible]

COVENT GARDEN. [illegible]

SADLER'S WELLS THEATRE. [illegible]

THEATRES

ADELPHI. [illegible]

ALBERY. [illegible]

ALDWYCH. [illegible]

LYRIC. S. CC. 01-437 3686. Evenings 8.00. Wed. 5.00. Sats. 5.30 and 8.30. DINSDALE LANDEN, NICOLA PAGETT in ALAN AYCKBOURN'S TAKING STEPS. [illegible]

VAUDEVILLE. CC. 01-836 9988. Mon. to Fri. 7.45. Wed mat 2.45. Sats 5 & 8.15. JOAN PLOWRIGHT, COLIN BLAKELY ENJOY. A new play by ALAN BENNETT. [illegible]

CINEMAS

[illegible]

ART GALLERIES

[illegible]

Tricycle Theatre, Kilburn

Rise of the Old Cloud

by MICHAEL COVENEY

Mike Dorrell's worthy, somewhat elliptical play about hardship in a 1930s' Welsh mining community no doubt deserves a more enthusiastic response than I can muster. It follows the fortunes of a tight-knit group of miners, from a holiday camp for the unemployed at the start of the decade through the exultation of political demonstration (and a close-harmony version of the "International") to disruptive confusion at the outbreak of war. Should the men stay at the face or go to the front?

Weaving through the narrative are two love stories. The doomed tuberculosis-ridden miner teams up with the middle-class girl he meets at the camp; while the boozy chauvinist comrade is stuck on a cheerful skivvy whose resolution buckles in the face of mass unemployment. There is also the middle-aged Labour Party stalwart and, as the play's central figure, the Communist Will Evans.

Because of the evasive nature of the writing it is difficult to tell how exactly Will undergoes the changes he apparently does. One minute he is pouring hard-line scorn on his colleagues, the next leading them in glory behind a red banner down the high street. Finally, he has married the dead miner's wife and is preparing a definitive volume of history. There are some impassioned speeches about the indignity of unemployment but it all sounds like writing by numbers. I get no sense of the playwright's personality in the text beyond some winsome poetical passages when characters escape the grime to survey the landscape.

Good performances by Robert Pugh as Will and Aneela Phillips who leaps the class barrier to join the struggle. But Justin Greene's production for the touring company, Paines Plough, strikes me as a routine piece with its heart in the right place and its head nowhere in particular.

Wigmore Hall

Edward Melkus Ensemble

Melkus is an Austrian violinist known as performer and pedagogue for his association with authentic baroque performance practice. His ensemble, consisting of the first desk players of the Vienna Capella Academia, has just visited London.

They appeared on Friday night. The programme was presented by the Anglo-Austrian Music Society and it consisted of Divertimenti by Michael Haydn and Mozart, and a handful of Schubert's Minuets and Trios.

Nothing could have been more suitable than this selection of relaxed, entertaining music by native Austrian composers.

The performance was advertised as "played on original baroque instruments." One cannot question the dates of origin of the instruments Melkus and his ensemble used because details were not given in the programme. But the modifications made to the instruments—chin- and neck-rests, raised bridges and the use of tense metal strings and modern bow—took the basic colour far from the authenticity the ensemble ostensibly seeks.

This was reflected by the interpretative stance of the players, which proved an uncomfortable halfway house between musicologically-informed practice and the middle-of-the-road interpretative conventions of our own time.

The easy charm of the minuets in Mozart's Divertimento K.334 was plumb in the middle of the Viennese traditions; a nice blend of *kitsch* and *achtung*. This was lovely but it had more to do with the three-quarter time of a Johann Strauss waltz than with the *sturdier* elegance of Mozart's world. Similarly, the outer movements of the Divertimento were played discursively, changing speed to suit the character of the phrase rather than unifying with a common pulse. Melkus obviously means to stand Richard Strauss' dictum "there is only tempo, never tempi on its head, and in doing so he caused a number of ensemble problems.

Schubert's five Minuets and six Trios D.89, played by a string quartet, received the most enjoyable performance of the evening. This was due partially to the more romantic nature of the music, partially to the comparative lack of ensemble problems the hornless scoring provided.

RICHARD JOSEPH

New Vic, Bristol

Cyril's Little Moments

Julian Garner wrote this piece after reading in a newspaper about a 68-year-old football fan who spat in the ref's face at a match at Erith. What he has done is to provide him with a motive but he takes a long time doing it and hardly succeeds at all.

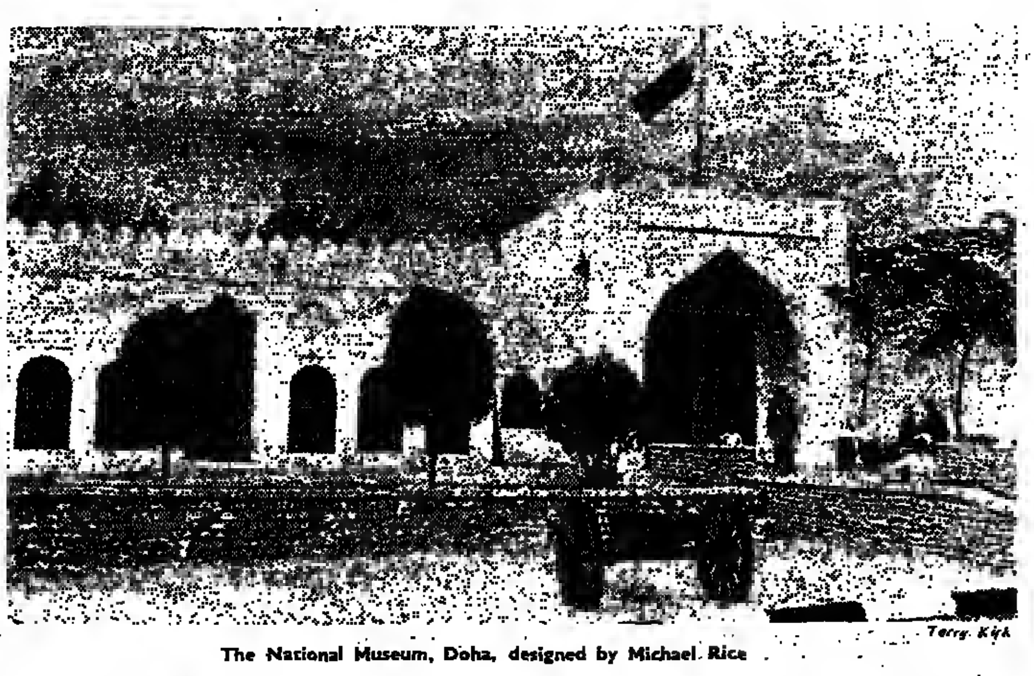
And Mr. Garner's version, old Cyril (David Swift, looking rather like Lord Longford) has a brother Josh, confined to a wheel-chair, who is such a fan that he spends all his time listening to tapes of old games. Cyril goes to the local games, quietly takes notes, and comes home to give his brother full commentaries. I can't help wondering why Josh and *his* wheelchair don't go to the games themselves but this would spoil the story.

Cyril has one other friend, Alice, a teacher in a school for handicapped children. A boy in the neighbourhood, knowing that Josh has a book full of autographs, ingratiates himself by telling him fictional tales of Cyril and Alice's carryings-on, which for some reason Josh persuades him to record on his tapes. After this, Josh is beaten up and killed by teenagers in his wheel-chair, though how these two matters are connected is something Mr. Garner has not made clear to me.

So here is Cyril back on the terraces with all his late brother's excitement instead of his former modest attention, and when he disagrees with a referee's decision what more natural than to run on to the pitch and spit in his face? And after that, why not chat on a river-bank with the spirit of Josh, now restored to health and, in the friendliest way, watch the boy fishing?

Well, I must leave these questions unanswered, for I can think of no answer to them. Mr. Garner has only proposed a situation, without offering any development that *I* can follow. The old people, David Swift, Arthur Cox as Josh and June Barrie as Alice, give sympathetic studies of sad elderly people, and there, *as far as I* am concerned, we stop. John Dove is the director.

B. A. YOUNG



The National Museum, Doha, designed by Michael Rice — Terry Kirk

Architecture

The best of Islam

by COLIN AMERY

Anyone who has travelled in the Middle East cannot fail to be aware of the rapid spread of new buildings that have been erected with little concern for traditional Muslim values. Architects from the West are not the only ones who have failed to learn the languages of Islamic culture as they are expressed in traditional buildings. Many of the efforts to dress up modern buildings with a veneer of concrete pointed arches are laughable attempts to make large, crude modern edifices more acceptable in the cities of the Muslim world.

One Muslim leader is determined to use his influence to rescue the environment of his followers from the worst excesses of Western materialism. The Aga Khan founded his award for architecture in 1977 to encourage a *resurgence* of true excellence in architectural design throughout the Islamic world.

There was no doubt in the presentation ceremonies held last week in the Shalimar Gardens, Lahore, Pakistan, that a revival of Muslim architecture is part of the "Resurgence of Islam." There was a strong plea for *Muslim* unity through culture, including architecture, in speeches made at the Lahore ceremonies, particularly by the President of Pakistan, General Zia.

After three years of research an international jury of architects and scholars gave the $500,000 prize to 15 different projects. The jury emphasised that their selection represented a search for better architectural solutions to particular problems rather than any kind of final accolade.

The jury's approach to the selection of winners was to divide the short list into four main *categories*. *They looked* for schemes that showed ways of coping with social problems of the urban and rural poor in the Third World. Modern advanced technology was examined for its appropriateness to developing nations. A third category considered the use of small-scale technology, investigating building systems that could be used by an unskilled workforce. The fourth category looked at ways of building that involved preservation, restoration or reinterpretation of the past.

The extraordinary thing about this new "Nobel" prize for architecture is the amount of preparation, planning and research that has preceeded the award ceremonies. Thirty Muslim countries have been visited by the technical assessors and more than 200 schemes were nominated.

It is a salient fact that less than one-sixth of these were considered suitable for consideration by the master jury. Five seminars have been held to assist the jury towards a series of new definitions for a new architecture in the spirit of Islam. The impact of this first series of prize-winners is a subtle but persuasive one.

By far the most interesting schemes are two projects in Indonesia. One is almost invisible but very significant. The Jakarta City Government has begun to provide a basic road and drainage infrastructure for existing *kampungs* (squatter settlements) where the people live at an average density of 500 per hectare. At a cost of only $60 per capita, basic services have been provided for 450,000 people. In Central Java a self-help scheme for the building of a co-educational boarding-school is commended. Gradually *this traditional Islamic* community school is developing the skills needed to create an indigenous architecture.

These two awards where the architectural content is barely visible are indicators of the jury's awareness that grand architectural gestures have no place in the developing world. A third winner, the Agricultural Training Centre in Nianing, Senegal, makes use of local materials and traditional *methods*. Sand *is* available *in* abundance and this UNESCO-sponsored school for 80 boys employs sand-cement bricks made on the site. A lightweight concrete, arched vault forms the simple roofs. The scheme is a model for simple buildings in Africa and the vaulted rooms possess traditional Islamic qualities. It is hoped to develop the system for low cost housing.

The European Development Fund sponsored the medical centre at Mopti in Mali and the architect André Ravereau took an award. These unpretentious buildings are built of the local clay with natural ventilation. They stand on the banks of the Niger opposite the famous Friday mosque. A much-used pedestrian street passes through the hospital buildings and this has integrated the new and older parts of the town.

A traditional-style house at Agamy in Egypt won a prize for its 70-year-old master mason as well as the architect, Abdel Wahed El-Wakil—the domed house is built around an open courtyard and cool air circulates naturally through the rooms making air conditioning unnecessary. The superb craftsmanship which is evident in this house was rightly commended.

A series of smaller courtyard houses was built as part of the *reconstruction of Agadir, which* was destroyed by an earthquake in 1960 by the Government of Morocco. They have all the dense privacy that is so much a part of older Muslim cities. ...

These awards aim at nothing less than the rejuvenation of Islamic architecture. They will be presented every three years and their aim must be long term. This year's batch is a tentative selection. They reflect a dissatisfaction with the inhumanities of much modern architecture that is felt in the West as much as in the Muslim world.

While the Aga Khan is to be congratulated on his generosity and thoroughness he must be aware that good architecture grows slowly and may be out of tune with the times. His *personal gift* of the *$100,000* Chairman's Prize to Hassan Fathy, the 86-year-old Egyptian architect and artist, is an indication of the sort of genius the award is hoping to encourage.

Throughout his life Hassan Fathy has spurned modern architecture and committed himself to the poor. He has championed indigenous building that is economical and suited to the climate. He demonstrates clearly that a new kind of architectural education is the real answer to the search for new forms. The Aga Khan Award is a serious beginning to a long search.

Apollo Victoria

Ry Cooder

by ANTONY THORNCROFT

With the Apollo Victoria a'beavin' and a'rockin' on Friday night Ry Cooder can no longer be pocketed as a cult figure. He is now popular and his music, too, is some of the most popular of the U.S. of the past generation: not *so* much commercial pop but grass-roots sounds, both black and white, soul and country, rock and blues. All those oddly-coined words, such *as* "laid black" and "*funky*," actually sum up Cooder, at least in this hugely enjoyable concert.

He has been around since the mid-'60s and his guitar skills brought him work on some of the best West Coast albums; now he is very much his own man, rattling through a distinctive musical tour with one of those excellent American tight bands that constantly show up the shortcomings of British rock.

In spite of his Hawaiian shirt he is not as eclectic as on some past visits, concentrating this time on soul and country with a nice bias towards songs which show men being destroyed by women

Ry Cooder can still be seen through a crush, at the Venue at Victoria on Thursday. With his relaxed and humorous stage manner, his smooth band, in *which John Hiatt is superb* and the male backing-singers hit the high and low of every musical scale, his repertoire of lesser known but immediately accessible songs, Cooder *is not* only marvellous entertainment, he also confirms your faith in popular music

New York City Opera

Start of the Season

by ANDREW PORTER

With the Met closed, the New York City Opera has been providing New York's opera single-handed. Houses have been good, and perhaps some Met regulars have been drifting *across* Lincoln Plaza to discover the place where, as the company blazons across its façade, "opera comes alive." The City season begins with a short late-summer run of an operetta: last year, Victor Herbert's *Naughty Marietta*; this year, Sigmund Romberg's *The Student Prince*. The show was written for New York, in 1924, but in idiom it is a weak, late-Viennese operetta with plentiful echoes of Johann Strauss and Lehár. It was quite grandly cast, with Jacque Trussel, then Henry Price, in the title role and Leigh Munro, then Elizabeth Hynes, as Kathie. Miss Hynes was charming. But the piece was given a common, unstylish production. It drew full houses.

While *The Student Prince* began, a *Pirates of Penzance*, out on by *Joseph* Papp's Public Theater, was ending its (free-admission) summer run in the lakeside open-air theatre in Central Park. The cast was unorthodox: Linda Ronstadt (who proved to have pretty and accurate coloratura) as Mabel, Rex Smith (from *Grease*) as Frederic, George Rose as Major-General Stanley, and *Patricia* Routledge as Ruth. The voices were amplified. The score had been arranged for a string-less combo. But it was a polished and *totally* enjoyable show.

The opera season "proper" began with a revival of *Anna Bolena*, in which Oliva Stapp was efficient, but hardly more than that, in the title role. Susanne Marsee was a fluent Jane Seymour. There was an able coloratura bass, Samuel Ramey, for whom the coloratura bass passages usually cut could be restored, and an able coloratura tenor, Rockwell Blake, for whom "Vivi tu," usually omitted, was reinstated. This was perhaps the fullest *Bolena* to have been played in our day, even though the overture was omitted. (At Glyndebourne in 1965, six movements were omitted and five drastically abridged.)

But fluent singing is not enough for *Bolena*. Donizetti's dramatic operas need declamation. Some of their most famous phrases—moments for which Uasta, Grisi, Callas were celebrated—are no more than *simple recitative for actresses* to bring to life. The production, created for Bevely Sills in 1973, had been restaged by Jay Lesenger. It was a poor affair, in a dreadful set with a central platform approached by three steps. Up and down the singers went, up and down, pausing at times to sit or stand on the steps. The court ladies sat while Anne stood; Percy grabbed the king's arm in public argument; Mr. Ramey's Henry VIII lacked majesty; and in general there was no attempt to reconcile historical plausibility, 19th-century stage convention, and the susceptibilities of a modern American audience.

The sorry tale continued with *Don Giovanni*, a revival of John Cox's production last spring, with a new cast, except for Carol Vaness's Anna, rehearsed by Mr. Lessenger. Another wretched set (by Michael Annals) cramped the action. The production alternated between the slackly traditional and the feebly innovatory. The graveyard scene was relocated in "a stonemason's yard," which made *nonsense of* the Commendatore's words and presented the tremendous scene at half-strength, since the atmosphere of awe and mystery, the sense of near-blasphemy inviting supernatural retribution, had been merrily tossed away in a silly search for novelty. At the end, Giovanni was tied up and carried off by his servants, Anna calmly sat down to sing the passionate, fiery "Or sai chi l'onore."

But Miss Vaness, the next important American soprano, gave us a very fine "Non mi dir." Heather Thomson was a strong Elvira. Samuel Ramey sang Leporello well. Justino Diaz, as in Spoleto years ago, was a "promising" Don Giovanni: wonderful looks and bearing, an excellent voice—everything right for the role, and somehow nothing comes of it. I have not seen the other revivals: so far *Die Fledermaus*, *Carmen*, *La Bohème*, *Il barbiere*, and *Butterfly*.

Now for the good news. A new production of Bizet's *Pêcheurs de Perles*, unstaged professionally in New York since three Met performances in 1918 (with Hempel, Caruso, and De Luca), packs the house at every performance and deserves to—not only because it is a lovely score but also because it is well done. There are two casts. In one, Diana Soviero is a sweet and flexible Leïla: in the other, Marianna Petros is sweet and flexible and *also invests the role* and the music with character. Her timbre recalls the limpid passages of Callas's voice—rich yet delicate, and carrying a fascinating touch of resin. One Nadir, Barry McCauley, has a ductile, supple tenor; the other, Joseph Evans is more ordinary. One Zurga, Dominic Cossa, is rough but strong; the other, *David* Arnold, has a cultivated baritone of precise focus, of the kind one longs to hear in French opera and so seldom does.

The "Welsh" edition, a restoration of Bizet's original score, was used. The Leïla-Zurga duet, not usually one of the highlights of *Pêcheurs*, brought the house down when Miss Petros and Mr. Arnold sang it. Calvin Simmons, making a City Opera début, conducted with a poetic response to Bizet's selves and make much of Bizet's exquisite instrumental inventions but often persisted in a metronomic beat through passages that need rubato. He should study the De Lucia recordings. Robert O'Hearn's set is simple and picturesque, with plenty of usable flat space. Cynthia Auerbach's production, simple and sensible, leaves the singers free to express themselves and make much of Bizet's music.

Samuel Ramey and Susanne Marsee

Camden Jazz Week programme

Two full-length compositions by British composers are among the highlights of the Camden Jazz Week to be held at the Round House from *today to November 1*.

On Wednesday the Mike Westbrook orchestra will perform Westbrook's *The Cortege*, the first part of a trilogy on the *fundamental* theme of *Life/Death/Life*, based in part on the classic form of the New Orleans jazz funeral. It was first performed at last year's Bracknell Jazz Festival.

On the following night will be the premiere of a new work commissioned by the Jazz Centre Society for the Camden *New York* by keyboards player Jazz Week, *Impressions* of Geoff Castle, and played by a ten-piece band. Also appearing the same evening will be the *quartet of altoist Phil Woods*.

The Week begins with the British debut of the World Saxophone Quartet. The following night sees the return to Britain of the exciting gospel group, The Stars of Faith. Also on Tuesday will be Steel and Skin, an Afro-Caribbean 11-piecer.

On Friday is *a strong double* attraction from the U.S.A., the Chico Freeman quartet, and the quartet of guitarist James "Blood" Ulmer.

Full details from the Jazz Centre Society, 35 Great Russell Street, WC1 (580 8532).

K.H.

SOCCER by TREVOR BAILEY

Six of the best should boost Chelsea

THE BIG ovation the Chelsea players received at half-time and after the final whistle was fully deserved.

More than 22,000 turned up at Stamford Bridge for this Newcastle massacre, when they received six of the best.

If the Blues continue to serve up football of this calibre and goals in this quantity there should be far more spectators for their next home game.

Each of the young Chelsea side's six goals was delicious and clean-cut, a culmination of a fine attacking move.

Everyone who had the good fortune to see them on this occasion will certainly want to pay another visit.

Both Chelsea and Newcastle possess the support, tradition and facilities for First Division football, and on this evidence the Pensioners could well, like their fellow-Londoners West Ham, gain promotion this season.

It must be admitted that the visitors, with a team which lacked an adequate defence maturity and heart, are unlikely to return to their proper habitat for some time.

Although Newcastle provided indifferent opposition, it is still a considerable achievement to score six goals in the second division match, and if Carr had not brought off several fine saves the margin would have been even larger.

Perhaps the best illustration of the gap between the contestants was when the home team, leading 5—0 and reduced to 10 men, were still able to increase their lead after a long determined dribble down the wing and a perfect cross which enabled Lee to complete his hat-trick.

Attacking

What was the secret of Chelsea's success? The answer lies in their successful application of that old *footballing* tactic of breadth; attacking on a broad front, and stretching the opposing rearguard until it snaps, crossing accurately from both flanks and regularly having two players in the box to convert the centres into goals.

The employment of two deep-line wingers makes it easier to cast out of defence, or mid-field to an unmarked colleague, and less dependent on the ball into space and the quick one-two play-off.

There is much to admire about the team which Geoff Hurst has fashioned, and it is hard to understand why they started the season so poorly.

Lee, tall, brave and good in the air, forms the sharply *contrasting spearhead* with the clever, forceful Walker, while Driver on the right and Rhoades Brown on the left wing had not only the ability to beat a full-back both on his inside and outside, but also possesses that old-fashioned virtue, which makes such a tremendous difference, of being able to centre with precision.

Convincing

Driver, who was purchased from Wimbledon recently for only £20,000, a genuine bargain in this age of hysterical transfer fees, is *clever, deceptively fast* because of his long stride, and very persistent.

In mid-field Fillery was a revelation, and surely Britton must be just about the most accomplished substitute half-back in the Second Division.

The Chelsea defence is less convincing, though Roffe is a well-organised half-back, and the massive Droy brings in experience to an enthusiastic side, which understandably is rather short on maturity, so that they do sometimes give the ball away *unnecessarily* when not under pressure.

This weakness could be the biggest threat to their hopes of returning to the First Division, which with their reduced but still formidable overdraft is so essential.

It is not merely that their home gates would automatically increase, plus the attraction of big attendances for local derbys against Arsenal, Tottenham Hotspur, possibly Crystal Palace and *probably West Ham*; but their share of away gates would mean so much more.

At present in the Second Division several clubs, rather *sadly, attract crowds* of less than 10,000.

TENNIS BY JOHN BARRETT

Lloyd's defensive play on Open

IN A THRILLING final to the £52,000 Daihatsu Challenge Chris Evert-Lloyd, the number one seed, beat her conqueror of last year, Martina Navratilova, 6—4, 5—7, 6—3 in 2 hours and 17 minutes of high-class play. This was Mrs. Lloyd's 55th win in the 57 *matches* since her return to competition last May.

Miss Navratilova, a Czech who expects to win U.S. citizenship this month, was caught in the classical dilemma of a natural attacking player facing a solid ground stroker on a slow court. She knew she must continue to attack and hope to volley enough *winners* off the *rasping* passes that she had to expect.

The contrast in styles is obvious on court and the two also hold opposite views about the correct course of action over the proposal to hold a separate U.S. women's tournament next August at the giant Meadowland Centre in *New Jersey*, two weeks before the Centenary U.S. Open at Flushing Meadow.

As defending champion and a U.S. citizen, Mrs. Lloyd believes *the* women *should support* the traditional event. She argues that the women are on the way to achieving their goals at Flushing Meadow, and need the status the 100-year-old championship provides.

There is parity of prize money with the men next year; it will total $1m; they are promised the same 128 places in the draw *as the men; and the trend this* year towards fairness in the scheduling of women's matches on the show courts during TV coverage can be expected to continue.

Miss Navratilova, who left Czechoslovakia in 1975, is less impressed by tradition, and *cynical* about the attitudes of U.S. Tennis Association officials to the women; who, she claims, are second class citizens at Flushing Meadow. She believes the greatly increased prize money, and the promise of a draw of 128, have been offered by a desperate association, alarmed at the prospect of trying to run their anniversary meeting without the leading women.

It is reported that 14 of the top *20* women have signed an undertaking to support the Meadowlands venture, and not to enter the U.S. Open. Notable omissions from the list, apart from Mrs. Lloyd, are Tracy Austin, Virginia Wade, Kathy Jordan and Virginia Ruzici.

However, Mrs. Lloyd has said women in the Tennis Association that if the majority of the vote for a split, she would support that decision, albeit with misgivings.

Almost certainly—as at Wimbledon in 1973, when 79 men *boycotted* the tournament—the association would go ahead and stage a women's tournament as part of the 1981 U.S. Open. Many of the lesser players will be tempted by the prize money.

The decision will be taken at a meeting in Washington during the Colgate Series finals on January 11. Television is central to the question. The Open is covered by CBS, and the women dislike its treatment of their matches. NBC has promised Meadowlands at least 7½ hours of live time plus highlights programmes during the nine days of the tournament which would include two weekends.

Another influence is the activity of Capitol Sports, a promotions company, which will no longer look after the commercial side of the U.S. Open as it has done for the past five years. It reportedly expects to carry some of the Open sponsors with it to Meadowlands.

Then there are the players' business managers, who see the opportunity to sell their clients to lucrative endorsement contracts, on the basis of exclusive *television* exposure.

The fact that any new event will have only an empty title does not seem to worry the *militant* women, *who* seem determined to continue the development of women-only tournaments. These began in 1970 when eight leading women signed token $1 contracts with Gladys Heldman who then found the Virginia Slims cigarette makers as sponsors of the women's tour the *following* year.

The damage to the image of tennis as a worldwide game bringing together men and women would be serious if the Meadowlands venture takes off.

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Cutting where it matters

THE GOVERNMENT seems at last to be taking to heart its own injunctions about the need to re-establish control over public spending: even the rate of growth of the defence budget is now under serious attack by Treasury Ministers. But in their fervour to make up for last year's mistakes, Ministers must be careful to distinguish between the control of individual programmes and the reduction of total spending. Careful monitoring and control of public sector costs, particularly wages, is now more crucial than ever. But swingeing cuts in services and social security transfers, or further increases in public sector charges, are not the appropriate response to likely over-runs in public spending and borrowing which are the result of recession.

Dangers

In fact the unanimity of the opposition to public spending presents certain dangers. For there are separate macro- and micro-economic reasons for wishing to limit public spending which are apt to be confused by the general chorus of indignation about the collapse of expenditure control over the past year.

The blame for many of the Government's present economic difficulties lies not just with its apparent inability to control total spending, but also with its failure to distinguish between the likely economic consequences of different types of spending cuts. By concentrating its public spending cuts on capital investment, rather than on wages or employment and, worse still, by classifying increases in prices and charges as "reductions in spending," the Government ensured that most of the burden of its austerity drive fell on private-sector output and employment.

Investment

More serious mistakes of the same kind have been made during the past year by imposing low ceilings on nationalised industries' borrowing, while leaving their management free to offer their employees excessive pay increases and to charge their customers whatever prices are required to cover wage costs. The review of nationalised industry pricing practices which the Prime Minister has asked the Think Tank to undertake could usefully be extended to look at the possibilities of creating a distinction within the PSBR figures between borrowing that is used to finance productive investment in revenue-earning assets and that which is simply used to bridge the gap between tax revenue and current spending on the provision of government services. It is on this gap that more public attention should be focused.

The microeconomic objections to the indiscriminate approach to public spending cuts are even more obvious. Over the past year the nation's preoccupation with general economic decline has been so great that the Government seems to have lost sight of what, for most people, is the main argument for greater control over public spending. This is the inefficiency of many parts of the public sector. Some doctrinaire Conservatives may regard blanket reductions in public sector activity as desirable in their own right. But most of the voters who rallied to Mrs. Thatcher's call for spending cuts in the general election did so because they were keenly aware, from personal experience, of the waste which is to be found in many parts of the public sector.

Controls

Indeed, during the election campaign Mrs. Thatcher occasionally seemed to imply that the elimination of waste would alone be sufficient to secure large reductions in public spending within the sort of time scale which her economic strategy required. This hope was obviously unwarranted since major cost saving exercises produce results over periods of years, rather than months. Furthermore, their effectiveness depends on the maintenance of continuous control, rather than occasional bursts of frenzied activity. The Government's most important contribution to the long-term reduction of public spending would be to find ways of introducing this permanent element of cost-consciousness into the many cosy corners of the public sector.

The problems that Russia faces

LOOK AT the world through a Kremlin window: the view may surprise you. It does not show a world cowed by an aggressive Russian colossus; it is a world where things are going wrong, full of potential dangers.

Take Afghanistan. It may not have become a "Russian Vietnam," but Soviet forces are bogged down in that inhospitable and sparse country. The entire credibility of the Soviet Union in the Third World has suffered badly as a result of the invasion.

Afghanistan has driven both China and Pakistan into closer alignment with the U.S. It has put the Soviet Union at odds with the Islamic revival. It has dealt a bad blow to Moscow's persistent attempts to depict itself as the enemy of colonialism.

Africa

Not long ago Russia, through its ally and cat's paw, Cuba, was extending its influence in Africa. Angola and Mozambique appeared to be coming its way, perhaps even Zimbabwe. Further north, Ethiopia had become Moscow's ally. There has been no final result in any of these regions, but Moscow no longer is making progress. The attractions of western financial potential are strong: the new regimes in southern Africa are wary of linking their future to Soviet Communism.

The U.S. has acquired new bases in Somalia, in the Horn of Africa; and in Oman, in Arabia. They increase America's potential power in a contest, should it ever come about, for mastery in the Middle East. Egypt has openly thrown in its lot with the U.S. Tehran may be at loggerheads with Washington, but Iran's Islamic fundamentalism has no common denominator with Soviet Communism or Soviet imperialism. In western Europe the Spanish and Italian Communist parties are far from being the vassals of Moscow that they once were. Even in eastern Europe, under the guns of Soviet forces, things have gone wrong. Moscow is puzzled about how to respond to the upsurge of independent trade unionism in Poland.

To borrow a phrase from Moscow's book, events in Poland are qualitatively different from trouble that Moscow has had elsewhere in eastern Europe since the war. The defection of Yugoslavia occurred on the fringe of the Soviet bloc; reform in Hungary has since 1956 stopped short of clearly challenging the Communist Party's claim to be the voice of working people; Romania's isolation never questioned Communist doctrine at all: if anything, Mr. Nicolae Ceausescu, the Romanian dictator, is more in the traditional Russian Communist mold than even the masters of the Kremlin.

Harvest

Poland is the problem that it is because of a record of fighting for its rights, and because it lies athwart Russia's lines of communications with East Germany, in some ways Moscow's most important, but also its most exposed, ally. The Kremlin leaders probably need not be afraid that discontent of the Polish kind will cross their own borders. The system is too deeply entrenched. But they cannot but be nervous about the second successive failure of the Soviet harvest. Since Stalin's day, trouble on the farm has again and again led to upheavals in the regime.

The resignation last week of the long-time Prime Minister and top economic manager, Mr. Alexei Kosygin, was due to his poor health; but it did have overtones. The appointment of a successor who was associated with heavy industry, Mr. Nikolai Tikhonov, could be a pointer that the military are increasing their influence and demands, though that implies no challenge to party supremacy as such. Moreover, these problems have coincided with times when the political leadership is failing singularly to rejuvenate itself: by now everyone has noticed that Russia is ruled by old men.

Strength

Having noted the many weaknesses of the Kremlin, it is necessary at least to glance at its strengths. Militarily it may have drawn level with or even ahead of the West and it still commands great sympathies in the formerly colonial world. Badly though Russia has managed its economic affairs, the West, too, is in economic difficulties—it also has leadership problems.

We know too little to draw firm conclusions. But two things are plain: sooner or later new faces, quite possibly with new policies, must take over from the old guard; and Russia's masters, both the old and the new, may feel more insecure, and therefore be more unpredictable than has been believed.

MONETARY POLICY REVIEW

Sir Geoffrey in the hot seat

Peter Riddell examines the summer monetary explosion and the options for changes in the present system on the day Sir Geoffrey Howe, the Chancellor, is questioned by the all-party Treasury and Civil Service Committee of which Mr. Edward du Cann is chairman.

Glyn Genin/Trevor Humphries

SIR GEOFFREY HOWE this morning probably feels rather like a nervous examination candidate facing a stiff oral test and knowing that his written work is not up to scratch.

Later today he is due to appear before the Treasury and Civil Service Committee of the Commons to account for the monetary mess of the summer. He faces an uphill task. Many of the MPs are highly critical to start with and the monetary record under examination is hardly glittering. Sir Geoffrey is also unlikely to be able to provide many clues about what will happen from now since the decisions have not yet been taken.

His first problem will be to explain his cautiously optimistic remarks to the committee at the end of July. He told the MPs then that, after taking account of all aspects, "the money supply was probably under control." Since that date official figures have revealed an 8 per cent jump in July and August in sterling M3, which includes cash and bank current and deposit accounts.

The result has been a furious inquisition personally conducted by the Prime Minister. All and sundry have been taken to task and distinguished domestic and foreign gurus have been summoned to seminars and meetings. This has been accompanied by a good deal of recrimination within what are often euphemistically (and now rather ironically) known as the authorities—the Treasury and the Bank of England.

Behind the Whitehall battle are issues of key importance—the future of the present overdraft system, the way in which interest rates are fixed, and possible changes in the methods of financing the Government's borrowing needs.

The recession has caused more private borrowing

The Government's commitment to its monetarist approach is not, however, in question. There is no serious challenge to the view that controlling the rate of growth of the money supply is the key to reducing the rate of price inflation in the medium term.

The issue is how, and even whether, monetary control can be achieved. The problem is that the Government has been trying to squeeze a quart into a pint pot without having control of either the quart or the pot. The result has, not surprisingly, been more than a little leakage.

Until now the main methods for trying to keep the rate of growth of sterling M3 to within the target range of a 7 to 11 per cent annual increase have been indirect. They have been via changes in interest rates and in the level of public sector borrowing. The aim has been to set a level of interest rates which will allow the Government to sell sufficient gilt-edged stock to finance public sector borrowing without expanding the money supply. Similarly, there has been the hope that changes in the level of short-term interest rates will influence the private sector's demand for bank credit.

The world is not, however, so uncomplicated. For example, public sector borrowing has not only been much higher than expected—at least £1½bn above forecast levels in both the last and current financial years—but it has also fluctuated sharply. This is partly because of a bunching of disposals of public sector assets and of tax payments towards the end of the financial year. There was, for example, a swing of £6bn between the first and second quarters of this year.

Even if normal seasonal variations are excluded the change in borrowing was still £4½bn and this does not make for a smooth pattern of monetary growth.

Officials directly concerned with funding would argue that asset sales, partly responsible for these swings, do not really help to reduce borrowing since the assets compete with gilts for institutional funds.

At the same time, the sharp rise in interest rates has only had a limited impact on the growth of bank lending. This is partly because the deepening recession and the associated profits and liquidity squeeze has left companies with no choice but to borrow more from their banks. Such distress borrowing has become unavoidable. Moreover, the increased interest payments have themselves had to be borrowed and have been reflected in bank lending.

These pressures have put serious strains on the financial system. The first result has been upward pressure on interest rates. For the whole of this year the Bank of England has been pumping money into the banking system to prevent interest rates rocketing sky-high. In mid-September a total of £2½bn of such "temporary" assistance was outstanding. Indeed, one of Mrs. Thatcher's favourite jibes in the current monetary discussion is to remark that the Bank of England is now the lender-of-first-resort, not just the traditional lender-of-last-resort.

The second result has been that monetary growth has been well above the upper end of the official target range for much of the past year—at an annual rate of at least 15 to 16 per cent, compared with a top limit of 11 per cent.

On top of these pressures came the problems caused by the corset and its removal in mid-June. The corset restricted the rate of growth of interest-bearing eligible liabilities (a large part of the banks' deposits) and thus indirectly sought to restrict the expansion of their operations.

In practice, the corset encouraged massive avoidance. The banks switched operations through uncontrolled channels. This had the effect of making the published monetary figures look better and understating the underlying growth. It was always recognised that when the corset was removed banks would switch some of their operations back into conventional channels. This would inflate the published rate of monetary growth while making little difference to the underlying trend.

The scale of the post-corset adjustment was, however, substantially under-estimated. The consequent 8 per cent jump in the money supply was therefore a profound shock. Between a half and two-thirds of the rise could be explained by the unwinding of the corset, but, equally worrying, was the evidence of an excessive rate of underlying monetary growth.

This episode has been interpreted in several ways. The Bank of England view, expressed by Mr. Gordon Richardson, the Governor, in his Mansion House speech earlier this month, was that the monetary performance and prospects are not as bad as is commonly thought in view of the demands put on the system. He said the swings in monetary growth largely reflected swings in public sector borrowing (a not so subtle nudge to Whitehall).

But, he said, public borrowing should now fall, inflation was past its peak and there were tentative signs of a slowdown in the private sector demand for bank credit. Consequently, after allowing for the corset distortions, the rise in sterling M3 over the whole of the target period to next April might turn out to be much less than has been generally supposed. This is also the hope in Whitehall.

On a longer-term basis Mr. Richardson noted the "sheer erratic variability" of the influences on sterling M3. His conclusion was that undue importance should not be placed on short-term developments in any single monetary aggregate. Instead, it is necessary to take into account other monetary aggregates and the real economy (profits, jobs and output). Taking account of these signs, he concluded that monetary policy had therefore been restrictive. Indeed the Bank has become increasingly concerned about the extent of the squeeze on the real economy caused mainly by the strength of sterling.

Ministers appear to be more impatient about the present monetary system. In his Mansion House speech, Sir Geoffrey said that the frequent use of the corset between 1973 and 1979 suggested "at least that present arrangements may not be adequate, even over the medium-term, for the fulfilment of a policy which rests upon the priority of meeting monetary targets and reducing the rate of monetary growth."

Attention has focused particularly on whether some of the recent fluctuations in monetary growth could be avoided if the authorities sought more direct control over the banking system. The main proposal is for a monetary base system under which the Bank of England would directly control the growth of financial balances held with it by the banking system. These balances are the fulcrum of the banks' operations.

Such a system would have far-reaching implications. For a start the Bank of England would no longer supply funds on request (as lender of first or last resort) to ease the banking system's shortages. This in turn might mean the end of the overdraft system; at present the banks are willing to allow their customers flexible borrowing facilities because they can always balance their books. Under a monetary base system this flexibility would be removed.

Similarly, the authorities would have to surrender much of their current influence over interest rates which might fluctuate (both up and down) more than at present in response to market pressures.

There would, in addition, be serious transitional problems, as it might take up to five years for a new system to settle in properly.

In his speech, Mr. Richardson said "it was possible to imagine a tighter or more rigid control of the creation of money achieved on a more continuous and shorter-term basis."

But be warned that "temporary pressures and distortions would then be turned back more abruptly on the real economy instead of being reflected in temporary variations in monetary growth."

The final outcome of the current review is still uncertain but some broad conclusions have become clear in the past two or three weeks.

First, Mrs. Thatcher's anger about the monetary mess of the summer and her direct intervention make it likely that some changes will occur. Too much has been said to permit a continuation of the status quo.

Secondly, everybody agrees that direct quantitative controls on deposits, such as the corset or the lending ceilings of the 1960s, are not the answer since they create distortions.

Third, the objective should be a more market-determined system of fixing interest rates. This view has caused wry smiles among some practitioners who remember that until May 1978 MLR was, in theory, fixed in line with market rates, but in practice this freedom was often overridden by the Government. But there is still a desire, if possible, to make changes in MLR less political and more responsive to market forces.

Fourth, a switch in the immediate future to a fully-fledged monetary base system seems unlikely because of the extent of the upheavals involved. But some moves in that direction are possible, perhaps involving an extension from the clearers to all banks of the requirement to maintain a minimum level of cash balances at the Bank. This was suggested in the consultative Green Paper last March which also called for the end of the increasingly cumbersome reserve assets ratio which requires banks to hold specified short-term financial holdings as a minimum percentage of liabilities.

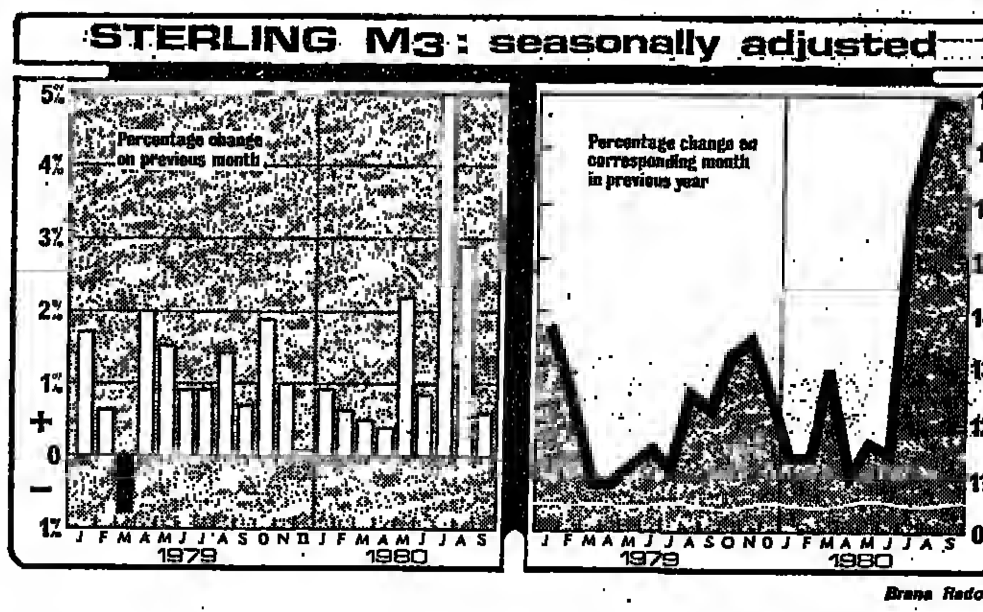
Recent pressures a test for any framework

Fifth, and possibly most significant, there is general agreement that the public sector should be less reliant than now on sales of gilt-edged stock to financial institutions. The intention to expand direct fund raising from the personal sector has already been signalled by the enlarged issue of inflation-proofed "granny bonds" and by the British National Oil Corporation's revenue bonds.

Sixth, and finally, any reduction in sales of gilts will, it is hoped, reduce yields on long-term bonds and make funds available to attract industry to return to the long-term capital market via issues of debentures and loan stocks. Such issues should reduce industry's dependence on the banks for external finance and help to limit the growth of the money supply.

Yet whatever the many deficiencies of the present system and the scope for improvement, any framework of monetary control would probably have found it difficult to cope with the pressures of the last 18 months.

Monetary control may look much easier when, or if, the inflation rate is reduced and public sector borrowing is brought under control. Sir Geoffrey is likely to have a demanding two hours this afternoon.



Brana Radovic

MEN AND MATTERS

Business is blooming

Candy. Pace, Ogden Nash may be dandy and liquor quicker. But orchids are exotica, probably cheaper . . . and the up-and-coming soft commodity.

A little way outside the normal run of crops handled by Sime Darby, these delicate blooms are the latest product of the Orient to join the prosaic palm oil, rubber and cocoa more commonly listed among the Malaysian conglomerate's shipments to Britain.

That Malaysia's biggest company, turning over £500m a year, should concern itself with exporting single flowers is intriguing in itself. That it should refuse to disclose figures and ambitions—"There's a lot of competition"—is distinctly rum.

Its sole customer, Marks and Spencer, is less secretive but not much more help. "We are selling more than a ton a week," I was told. "I don't know how you break that down, but it's an awful lot of orchids." And at 99p each retail, it sounds like a not-inconsiderable amount of turnover.

Marks and Spencer's recent activities in the Far East, it seems, go far beyond looking around for export-minded growers of monocotyledons. Eight weeks ago a Bangkok businessman opened his first store selling St. Michael branded British-made clothing. Now he has three shops and plans for another two.

Double dealing

Fact and fiction are now becoming legally entangled in Dallas, scene of the popular televised soap opera.

While small-screen addicts throughout the world wait impatiently for the next series to find out who shot the villainous J. R. Ewing, the producers of the Texas family saga are training their legal guns on another real, live Ewing. It turns out that there is a real Robert Ewing, who also owns an oil company, living down near Dallas. And simply by stamping his own name on T-shirts and other knick-knacks, he has been busily cashing in on the television bonanza.

Claiming copyright infringements, Lorimar Productions, the television film company, has started legal proceedings. Ewing faces a $1.5m suit for damages and a claim for the seizure of his more than nominal profits.

Ewing protests: "I don't see how anyone can stop me from using my own name," and is suing Lorimar for trying to do just that.

High fliers

It is blatantly obvious that by basing his new subsidiary, Loral International, in Britain, and by appointing two Britons to its board, Bernard Schwartz is leaving little to chance in his bid to have his Bronx-based Loral Corporation win the contract for electronic surveillance and missile bamboozling hardware in UK's updated Jaguars.

Schwartz has already staked a strong claim for the contract by agreeing that should the contract fall his way, Racal will manufacture his aptly-named Rapport system in the UK. Now, with MP Kenneth Warren and European MP Sir Fred Warner in his stable, he has two mightily influential allies.

Warner, the diplomat, is a former NATO Minister and ambassador to the UN, and sits on the board at Guinness Peat. Warren, the technocrat, started out as a lowly de Havilland apprentice. Working his way through Smiths Aircraft Instruments, Military Flight Systems and Elliott Automation (and dubbed the "silicon chip" of the Tory Party), he is currently serving an apprenticeship of a different kind, as Parliamentary private secretary to Industry Minister Sir Keith Joseph.

Bad tidings

County Commissioner Thomas Flowers of Hoopers Island, Maryland, is not a man much given to hypocrisy. A firm opponent of the $3.5m project to build a bridge at Chesapeake Bay, he never made any secret of his view that the structure is a waste of public money. Far more urgent, he says, is spending on erosion control.

And at the opening ceremony the other day he took the opportunity to spread his opinions nationwide.

"We are gathered here," he announced to the assembled dignatories and Press, "to dedicate a bridge that is a monument to man's waste, a monument to governmental interference and inefficiency.

"Our great Creator and Father," he appealed, "bless this bridge and those who will use this structure to meet their needs, knowing that wind and wave and tide are daily at work destroying that which has been built."

Plugging the gap

Bravely chasing around the country trying to clear up the mess left by British Steel's closures, the mop-and-bucket brigade of the corporation's job creation subsidiary, BSC (Industry) claimed another success at the weekend.

In concert with the Scottish Development Agency, they have lured a leading U.S. manufacturer of meat processing machinery 6,000 miles from California to the bleak landscape of the Garnock Valley in Ayrshire. Bringing prospects for up to 150 jobs in the first three years, Butcher Boy (UK), a subsidiary of Laser Manufacturing, will help fill the gap left when British Steel shut its open-cast melting shops, threw 700 out of work and raised unemployment in the valley to 11.5 per cent.

The job creators found William Laser in Los Angeles, fretting over the lack of capacity in his existing facilities, high transport costs to his European markets and a dire shortage of skilled labour. In Garnock he was provided with a 20,000 sq. ft. advance factory, handy access to the Clyde container port at Greenock, and all the metal-working skills he could hope for.

Although the Irish tempted him with their extravagant tax inducements, "finance," he said, "was not a major consideration." What he wanted was the ability to produce the company's products to its U.S. standards and improved delivery times.

BSC (Industry) will be helping by supplying Butcher Boy with the equipment to get started on lease, while its parent can be relied on to ensure that it has all the steel it needs.

Kruger coup

One group of clearing bankers will, I hear, spend this morning glumly surveying a large hole in its pocket following a major Krugerrand coup late last week.

Charterhouse Japhet, which, while its face may be red, stresses that its financial affairs are unaffected, was the unwitting intermediary. It handed over 500 of the one-ounce coins—worth £150,000—on the strength of what proved to be a forged bank draft.

If it is any comfort to those on the receiving end, the price of Krugerrands fell £10 between the time of the alleged crime and Friday's close.

Observer

FINANCIAL TIMES SURVEY

Monday October 27, 1980

West Germany

Helmut Schmidt—Europe's most influential leader—is at the start of what may be his last full legislative period as Chancellor. He has never pushed his country to the forefront of international politics, but some of his supporters think the Federal Republic should play a stronger role in the 80s both within and outside the European Community.

CONTENTS

Election confirms a stable middle road

By Jonathan Carr, Bonn Correspondent

THE WEST GERMAN General Election this month was important for two main reasons. It consolidated Chancellor Helmut Schmidt's position as the most influential leader in Europe, and it underlined the attachment of his country to a middle road in politics. What are the international implications — and lessons?

For one thing, Herr Schmidt has gained more parliamentary room for manoeuvre in foreign and domestic policy. In the old Bundestag (lower house) his Social Democrat Party (SPD) and its liberal ally, the Free Democrats (FDP), had a majority of only 10 seats over the Conservative opposition. The Chancellor and his aides were constantly looking over their shoulders at an SPD Left-wing which could, and sometimes did, endanger that slim majority.

In the new Bundestag, which holds its first meeting next month, the SPD-FDP will have a margin of 45 seats. It is true that most of the gain is due to the particular electoral boost given to the Liberals, and that part of the SPD is grumbling that the Chancellor ran too "academic" a campaign. Herr Schmidt is losing no sleep over these charges: without him the SPD would almost certainly have won markedly less support—and might not even still be in government. His overall Bundestag majority is more secure that it was, and that is the main thing.

What might Herr Schmidt do with this new-found albeit relative, freedom? He has been Head of Government now for more than six years, which is longer than any federal chancellor apart from the first one, Dr. Konrad Adenauer, who held office from 1949 to 1963. The election victory means that, barring the unexpected (such as desertion of the FDP from the coalition), Herr Schmidt will be in power until autumn 1984, when he will be aged 65. True, Dr. Adenauer was still in office until well into his 80s, but the stress of the Chancellorship is now much greater than it used to be.

In other words, Herr Schmidt is probably at the start of his last full legislative period as Government leader. Many suggest that if he is to play a more active role as initiator and catalyst in European affairs, then he will never be in a stronger position to do so than he is now. Further, it is argued, the Soviet Union has isolated itself internationally through its military intervention in Afghanistan, and the U.S. has not played the consistent role its allies hoped for.

According to this reasoning, there is thus both a leadership vacuum in the West and a need to organise greater co-operation between the medium-sized states on the European continent—in both East and West. Could not the Federal Republic under Herr Schmidt take on this task in the 1980s?

One counter-argument is that Herr Schmidt has never been keen to see his country pushing itself to the forefront in international politics. He knows that the Federal Republic's economic and financial success often aroused envy which, in Europe, was mingled with memories of the Nazi era.

Intermittent

He used to say that if any real leadership role were to emerge in Europe, then it belonged to the European Council, the gathering of heads of state or government of the European Community (EEC) countries.

But the European Council has only intermittently been able to function in the way both Paris and Bonn hoped for. And France — despite President Charles de Gaulle's grandoise vision of a Europe "from the Atlantic to the Urals"—is neither as important to the Russians nor as close to the U.S. as is West Germany.

There remains the concept of a Franco-German leadership tandem and that has worked several times: for example, over introduction of the European Monetary System (EMS). Further, President Valery Giscard d'Estaing's talks with the Soviet leader, Mr. Leonid Brezhnev, in Warsaw this summer helped break the ice for Herr Schmidt's own Kremlin discussions shortly afterwards. (It is not true that Herr Schmidt was put out because President Giscard only briefed him at a late stage about the aim of the Warsaw talks.) It transpires that the President was himself not certain until the last moment that the talks with Mr. Brezhnev would actually be held—despite press reports from Warsaw indicating the discussions were definitely "on."

But in the end it was Herr Schmidt who achieved the breakthrough prodding the two superpowers to negotiate on the problem of intermediate-range nuclear missiles. It is hard to imagine a German Chancellor doing that a decade ago—and in that respect alone Herr Schmidt has assumed (willingly or not) a special responsibility.

There are other obstacles—foreign and domestic—hindering West Germany's ability to influence events. To the East, the labour unrest in Poland has not only caused Herr Schmidt to lose in Mr. Edward Gierek a leader he admired and trusted above others in the COMECON countries, it has also worried East Germany enough to take steps to restrict visits from the West—measures which have brough new tension between Bonn and East Berlin.

To the West, major new political initiatives in the EEC depend first on the resolution next year of budgetary and agricultural problems of hair-raising complexity. Hopes that the EEC might be able to make a firm contribution to reducing Arab-Israeli tension have not so far been fulfilled, and Bonn has looked on helplessly at the Iran-Iraq conflict, painfully aware of its almost complete dependence on imports for its oil.

Further, it is true that West Germany was able to play a somewhat more active political role in the last year or two because of its growing economic power. Some might think that power is now in decline to judge from the large current account deficit this year (probably about DM 30bn or 2 per cent of GNP), the smaller than usual trade surplus, the fierce domestic debate over public sector borrowing and the signs that the Deutsche Mark is not the high-flying currency it used to be.

It would be foolish to dismiss these points out of hand, but it would also be wrong to take only a short-term view. It is true that West Germany is bearing a particularly large share of the total payments deficit of the Western industrialised countries: the mirror image of part of the huge surpluses of the oil-producing states. It could even be seen as a sign of economic strength that the German deficit has reached its high level without still louder domestic cries for import controls.

Be that as it may, the German current account deficit is likely to become smaller next year, the Deutsche Mark to strengthen and the inflation rate to remain well below that of almost all other countries. It would be highly premature to conclude that West Germany is going to be less competitive economically in this decade than in the last. There are even signs that the opposite will be true.

Further, the difficulties in "ostpolitik" are not the first—and it is safe to suppose that they will not be the last. They do not of themselves prove that the whole policy was misconceived, nor that the basis of mutual advantage on which it was founded no longer exists. Much the same goes for developments within the EEC, where a "crisis" has emerged times without number before, only to be overcome because the consequences for member states of failing to agree were seen to be worse than the cost of compromise.

Statesmanship

In both cases—east and west—West Germany is relatively better placed than any other single state to influence events in the way it desires, but it will need statesmanship of a very high order. Bismarck, that master of balancing power politics, would surely have revelled in the difficulties. It is worth noting that Herr Schmidt takes Bismarck as something of a model—in foreign affairs, one hastens to say, not in domestic politics.

That point leads to a further question. Is West Germany's domestic political stability sufficiently firm to underpin a broader international leadership role?

A few years ago there could still have been legitimate doubts. Not that the Federal Republic ever matched De Gaulle's uneasy vision of Germany as a "sublime but glaucous sea where the fisherman's net hauls up monsters and treasures." On the contrary, it looked like a model Western democracy: with a mixture of direct election and proportional representation, devolution of government power, a responsible trade union organisation, an independent central bank and judiciary, and so on.

The most interesting lesson from this recent election result, and the course of the preceding campaign, is not simply that the Federal Republic has a voting system which favours coalition but which keeps splinter parties out of the Bundestag. That has always been true. More important is that after over 30 years the West Germans seem to have found a sense of tradition of their own.

That point brings this article back to where it began. Herr Schmidt's international influence is extensive not least because of his country's domestic stability, and that stability has been furthered by competent leadership of the Centre. No national political model can be transposed unchanged—but surely West Germany's experience has lessons for other countries.

COMPARATIVE STATISTICS 1979

	Area '000 sq km	Population millions	Hourly earnings* DM	Inflation rate† %	Gross National Product DMbn	Gross National Product Share as % of industrialised countries	Exports DMbn	Exports as % of GNP	Imports DMbn	Imports as % of GNP	Monetary Reserves‡¶ DMbn
W. Germany	249	61	21.30	+ 5.4	1,394	11.1	314.6	22.6	292.2	21.0	98.3
France	547	54	15.40	+11.8	1,039	8.3	186.1	17.9	196.1	18.9	36.9
Britain	244	56	10.20	+17.2	717	5.7	167.1	23.3	187.1	26.1	35.8
U.S.	9,363	220	16.90	+13.3	4,420	35.2	333.2	7.5	401.3	9.1	34.5

* Wages plus supplementary costs. † December 1979. ‡ Excluding loans and other claims of rest of world. Excluding external liabilities. ¶ December 1979. £=DM 4.45

Source: Dresdner Bank.

WEST GERMANY II

Present victory may lead to future divisions

POLITICS

ROGER BOYES

BLOOD, sweat and tears characterised the October General Election campaign in Germany which returned Chancellor Helmut Schmidt to power and which torpedoed Herr Franz Josef Strauss's chances of ever becoming the country's leader.

The sweat glistened on the brows of the Free Democrats, the small Liberal Coalition partner of Chancellor Schmidt's Social Democrats, who claimed to be fighting fnr their very existence. After a strenuous campaign, the FDP actually won 10.5 per cent of the vote—their best result since 1961 and well over the 5 per cent minimum needed for parliamentary representation. Fnr them the sweat has paid off, for they have returned to the Coalition with their bargaining power greatly strengthened in relation to the SPD which captured only 42.9 per cent of the vote—that is scarcely more than 0.3 per cent more than in the 1976 elections. By contrast, the FDP gained 2.7 per cent on the 1976 result.

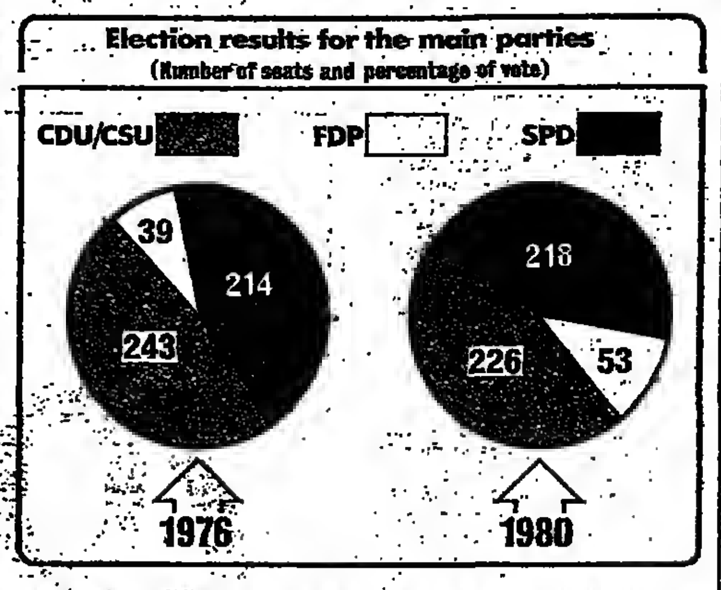
The tears, some crocodile and some real, were being shed and repressed at the headquarters of the Christian Democratic Union, the Opposition party that managed only 44.5 per cent of the vote—that is, over 4 per cent down on its 1976 result and its worst result for 30 years. To some sections of the party, defeat has one redeeming feature. It has sharply reduced the influence of Herr Strauss, the Bavarian premier, on the running of the party.

Herr Strauss for some two decades had nurtured ambitions of being Chancellor but was unable to win over the party from his strong but narrow Bavarian power base. Eventually, after threatening to withdraw the support of the Bavarian Christian Social Union Party from the CDU, it was decided last year that he should be the official opposition challenger to Chancellor Schmidt. His chances were never great but a series of tactical errors and his inability to rally the whole of the opposition behind him made for almost inevitable defeat.

Chancellor Schmidt and Foreign Minister Hans-Dietrich Genscher in happy mood after their election victory

The blood was real enough, creating a shocking and grisly coda to a dissonant election campaign. A bomb explosion at Munich's Oktoberfest beer festival killed 13 people and injured over 200—the worst terrorist attack that post-war Germany has known. Extreme Right-wingers are believed to have been responsible. Herr Strauss, as Bavarian Premier, interrupted his electioneering to visit the scene of the disaster. Partly out of anger, he reacted in precisely the wrong way. He thrust the explosion into the election campaign, accusing Herr Gerhart Baum, the Federal Interior Minister, of being indirectly responsible for such terrorist activity—he was soft on terrorists and had destroyed the morale of the police, Herr Strauss said.

It was precisely the wrong thing to say so soon after the tragedy and, coming only a week before the Elections, it must have helped to persuade a considerable number of hovering Christian Democratic supporters to stay at home rather than to vote for him.



Uncontrolled

The outburst, the Coalition parties were quick to point out, was typical of the "unpredictable and uncontrolled" responses of Herr Strauss when under stress. How could he be allowed to take over the charge of the country? That was, at any rate, the main tenor of the SPD's campaign which centred on the slogan "Stop Strauss." The slogan, it emerges from post election analyses, helped to mobilise an unusually high proportion of the 3.6m first-time voters, many of whom were SPD supporters.

But at the same time some 500,000 SPD voters—concerned at the polarisation of the campaign and about the Left-wing of the SPD—drifted to the FDP. This has become known as the "Schmidt-Genscher" factor—many voters who simply wanted a continuation of the Government of the centre split their votes (Germans have two votes) between the two parties.

The return of Herr Schmidt and Herr Hans Dietrich Genscher, the Foreign Minister and FDP chairman, means that Bonn's foreign policy will essentially continue on the same tramlines as it has for the past four years. Dialogue with Eastern Europe and Moscow will still play an important role, the need for strategic arms talks on medium-range weaponry will still be a foreign policy priority, the strong relationship with France remains unshaken (always given that President Valery Giscard d'Estaing is re-elected next year) and Germany is as dependent as ever on the U.S. nuclear umbrella. If anything, the Chancellor has won a little more flexibility in his foreign policy dealings—at a time when other major countries are either frozen in election campaigns themselves or have stumbled against the boundaries of their power.

But the shift towards the FDP in the current complexion of the Coalition may make for difficulties on the domestic front. Already at the end of the last legislative period there were signs that the reservoir of common interest between the two parties was beginning to dry up and certainly that inter-party communication was poor. On at least two occasions, the Coalition lost important bills last summer because no last-minute agreement could be reached between the SPD and FDP.

The new Parliament will, of course, given the Coalition considerable impetus which will help, at least at first, to smooth over serious differences. Herr Genscher has already moved to defuse one potential source of conflict by asserting that he will not be demanding a new Ministerial portfolio for his party. The FDP already has four important Cabinet posts: Herr Genscher at the Foreign Ministry, Count Otto Lambsdorff at the Economics Ministry, Herr Baum at the Interior Ministry and Herr Josef Ertly at Agriculture.

Nonetheless, the following issues are likely to prove disruptive to the coalition in the coming legislative period.

- Workers co-determination in the steel industry. The SPD would like to introduce a special Bill guaranteeing the maintenance of strict capital-labour parity in the Boardroom of the Mannesmann steel and engineering concern. Mannesmann had been hoping to escape the strict parity regulations by merging its pipe and steel divisions. The FDR opposes a special law, argues that a company has the right to re-structure and has warned the SPD against clubbing together with parts of the CDU opposition to push through the law. The situation may be defused if the Metal Workers' Union and Mannesmann can reach a compromise agreement over the next six weeks.
- How to save Government money. The theme of State indebtedness was made into one of the few effective election issues by the CDU and the Coalition is confronted with the problem, in its early months of rule, of how to save money in the drafting of the 1981 budget. The SPD favours, among other things, cutting subsidies to farmers (an FDP Ministry) while the FDP would like the Research Ministry (in SPD hands) to pare some of its future investment plans.
- The Coalition parties also have to agree on the delicate issue of old age pension increases. The SPD favours a use in pensions linked to the increase in gross salaries (as do the Christian Democrats) while the FDP backs pensions linked to net salaries.

Switch

These issues will only become critical for the Coalition if the SPD decides to vote with the Christian Democrats and thus stampede their junior partner. This question seems to be the only one at present that could persuade the FDP to abandon ship before the next Elections in 1984. On the whole it is too dangerous for a small party like the FDP to switch from a successful government and throw in its lot with the Christian Democrats.

Nonetheless, the centrepiece of CDU strategy in the wake of Herr Strauss's departure appears to have become so attractive to the Liberal Free Democrats that they could decide to change sides. There are several reasons for this. In the first place, it is almost impossible for the CDU-CSU to oust the PD-FDP from power without a mammoth swing in its favour. Even in 1976 when the CDU recorded its best result since the days of Konrad Adenauer—48.6 per cent of the vote—it was still two clear percentage points away from victory.

Second, it is evident that portions of the FDP programme would fit in quite happily with that of the CDU. Count Lambsdorff's determined market-orientated economic policy is quite sympathetic to most sections of the CDU (indeed some members of the CDU are actually to the Left of Count Lambsdorff). Should the FDP fall increasingly under the wing of Count Lambsdorff and away from the more Liberal activist line of Herr Baum, then a switch of partners could become a logical possibility.

Finally, now that Herr Strauss, a Right-winger, has edged off the stage and returned to Bavaria, the strong Liberal Conservative faction within the CDU will clearly have its day. The main candidates to become next opposition challenger to Chancellor Schmidt are:

- Dr. Ernst Albrecht, Premier of Lower Saxony. A gifted provincial politician who opposed Herr Strauss for the Chancellor candidate position last year. He faces State Elections in 1982 and will have to focus on winning those before declaring himself a contender again. His talented Finance Minister, Herr Walther Leisler Kiep, is now active in Bonn and this may work to the benefit of his former chief. Dr. Kohl had backed Dr. Albrecht's Chancellor bid to be Chancellor-candidate of the CDU.
- Dr. Gerhard Stoltenberg, Premier of Schleswig-Holstein. Closely identified with Herr Strauss during this summer's Election campaign, indeed he would have been Vice-Chancellor and Finance Minister under a Strauss Government, he too faces a State Election in 1982 and it is by no means certain that he will win. If he does, then he may receive the backing of Herr Strauss's Christian Social Union in the race to be Chancellor-candidate. Herr Stoltenberg is a North German Protestant and would probably need a bridging element to the South German Catholics—the explicit support of Herr Lothar Spaeth, Premier of Baden Wuerttemberg, for example — before being able to integrate the CDU.

But despite the bevy of ambitious regional chieftains anxious to tilt at the Chancellor, the CDU faces an uphill task in trying to upset the Coalition. For one thing, it is not clear that they have exorcised Herr Strauss for once and for all. Should he revive his plan to split the CDU from the CSU, the Opposition would be in deep trouble yet again.

But much can change in four years and all votes of confidence for the SPD-FDP Coalition seem to be based on the premise that Chancellor Schmidt will carry on for ever and ever. Would even a moderate successor to Herr Schmidt — Herr Hans Jochen Vogel, the Justice Minister, for example, or Herr Hans Apel, the Defence Minister—be able to keep the Coalition alive? What will the Free Democrats do if the Left-wing of the SPD become more noisy imponderables left in a political system that prides itself on its predictability? They, at least, will ensure that the German political scene has to be watched carefully in the years to come.

Downturn could signal deeper problems

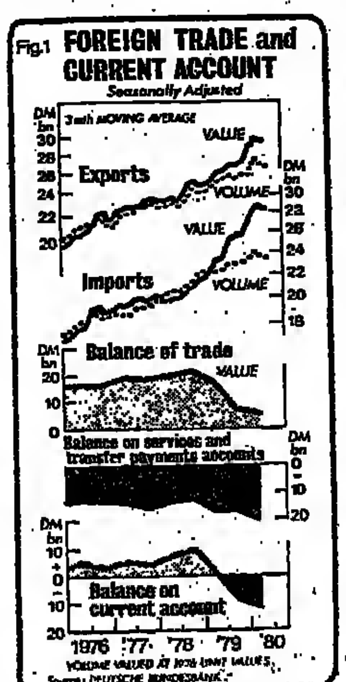
THE ECONOMY

JONATHAN CARR

THE WEST German economy began this year with a bang but is ending it in sombre mood. The questions being asked are these: Is it facing the usual cyclical difficulties — something the Germans have so often coped with successfully before — or do the problems go deeper, implying that the Federal Republic may slip down the international economic league table in the 1980s?

Take the emergence of a trade deficit in August. The figure was only a relatively tiny DM 133m — based on exports of DM 24.2bn and imports of DM 24.3bn — and many countries would be delighted to achieve such a result. But for the Germans it was the first monthly deficit on visible trade for nearly 15 years. To make things worse, it heavily underlined a trend existing since mid-1978 and demonstrated in the accompanying Fig. 1.

While the visible trade surplus has dropped rapidly (from DM 41.2bn in 1978 to DM 22.5bn in 1979 and to only DM 4.5bn in the first eight months of this year) the deficit on services and transfers (such as remittances home by foreign workers in Germany) has increased. The result is that current account plunged from a DM 17.6bn surplus in 1978 to a DM 9bn deficit last year, and is likely to be about DM 30bn in the red this year. Even after the first oil crisis of 1973-74 West Germany had continued to build up visible trade surpluses big enough, which more than offset its deficit on "invisibles." That is no longer so.



Word of the August trade deficit emerged at a time when even the most optimistic observers had given up contesting the evidence that domestic economic growth was lagging. The Bonn Government had said in January that it expected real growth in Gross National Product (GNP) of a "good" 2.5 per cent this year (after 4.5 per cent last year). For a time it seemed that this figure might prove a trifle low; real growth in the first quarter was no less than 5.6 per cent higher than in the corresponding period of 1979. But in the second quarter the figure plummeted to 1.6 per cent, new orders to manufacturing industry fell sharply and the business climate worsened markedly.

Sectors of the vehicle manufacturing industry were first to show signs of sluggishness, followed by construction and chemicals. The problems of the steel companies got worse. The unemployment rate, which had fallen from 4.5 per cent in January to 3.3 per cent in May, rose—unseasonally—in June, the first time this has happened for 20 years. At the end of August there were 864,500 jobless—an unemployment rate of 3.7 per cent compared with 3.5 per cent in the corresponding month last year.

Thus despite that boost to the economy early in the year, only about 2 per cent growth in GNP is likely to be achieved. And it has long been clear that Bonn's hopes of an inflation rate of about 4.5 per cent this year (after 4.1 per cent last year and only 2.7 per cent in 1978) cannot be fulfilled.

The cost of living rose an annual rate of 6 per cent in May and June—implying fairly early on that the original inflation projection for 1980 had been too optimistic. Since then there have admittedly been signs that the cost of living is rising less rapidly — and certainly any international comparison shows that the Germans have been doing relatively very well. But it is not always easy to convince the Germans themselves of that fact.

Throughout this period the Deutsche Mark has continued to weaken—though that is not to say that it has become a chronically weak currency. No doubt the growing current account deficit has had something to do with the trend. It is hard to say for certain since so many accepted truths about the relationship between the strength of a country's currency on the one hand and its inflation rate and current account position on the other have been seriously challenged by events over the last few years.

But it is at least true that the halt to the long-standing upward surge of the Deutsche Mark has broadly coincided with West Germany's move out of current account surplus. Last year, admittedly, the Deutsche Mark appreciated slightly in nominal terms against the currencies of West Germany's main trading partners.

Decline

But in real terms — that is, allowing for the relatively lower German inflation rate — it did not appreciate at all. This year it has been declining, even in nominal terms, against every major currency except the Italian lira — and most sharply against sterling and the Japanese yen. The Deutsche Mark has even fallen by close to four per cent since the start of this year against the relatively stable dollar, thus boosting the bill, in Deutsche Mark terms, of dollar-priced imports. The most serious element there is oil, for which the Federal Republic is almost entirely import-dependent.

All this has presented the Bundesbank — the independent central bank — with a major dilemma. It has sought through high interest rates to attract inflows of foreign capital and thus largely to finance the current account deficit by this route. It was an uncontroversial course so long as the domestic economy was performing strongly. Indeed it was clearly essential to prevent economic overheating and still more inflation.

The problem arose when the economy turned down—though foreign interest rates remained high and the Bundesbank's interest in attracting inflows of capital through rates similarly high remained as great as ever. Inevitably some voices in business and in the ruling Social Democrat Party (SPD) began to complain that the Bundesbank was over-emphasising the foreign financing element and driving the domestic economy towards serious recession.

Be that as it may, the spectacle of a German central bank diligently trying to attract a movement into the Deutsche Mark to help plug a hole in the current account is certainly a novel one.

It would not be hard to take all the evidence presented so far, note that West Germans are paying themselves some of the highest wages in the world and conclude that the country is slowly pricing itself out of its hitherto competitive place in world markets.

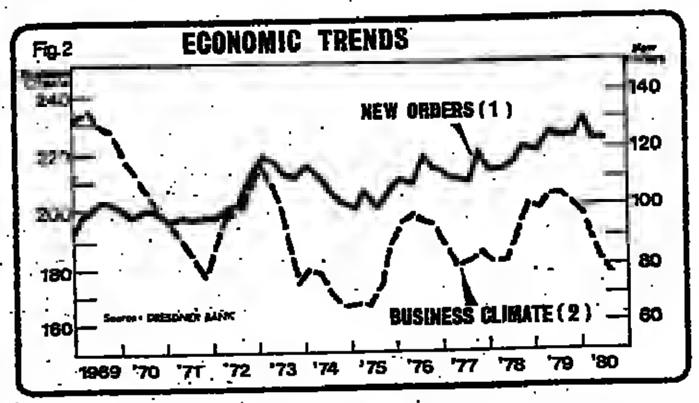
But that is only half the picture. The present trade figures would indeed be cause for concern if they offered proof that West German exports were seriously loosing ground on world markets. But this is not so.

The main reason for the fall in the trade surplus has been a worsening of West Germany's terms of trade—with export prices rising by only seven per cent in the first half year and import prices (most notably of oil) going up by not less than 18.5 per cent. Exclude the price factor and it emerges that in real terms exports grew by eight per cent — faster than imports, which increased by a real six per cent. There is not much sign of a lack of German competitiveness there, whatever the nominal rates may seem to imply.

Competitive

What comes next? According to the respected IFO economic institute of Munich, the growing downturn in Western economies will also bring some fall in raw material prices. Big stocks of oil in consuming countries, as well as energy-saving measures, should help prevent a sharp rise in oil prices (barring a Middle East catastrophe — one key assumption on which almost every economic projection has alas to be made). This will help keep the German import bill down.

On the export side the relative weakness so far of the Deutsche Mark, combined with the large and in some cases growing gap between Germany's fairly low inflation rate and that of competitor countries, should help keep German goods competitive. Furthermore, the Western recession is likely to move in phases, with some countries emerging from it as others enter. Thus the danger of a massive setback to Germany's main export markets simultaneously seems fairly small.



1 Volume of orders for industry, seasonably adjusted (1970=100).
2 "Business climate" barometer published by the IFO Institute for Economic Research in Munich: businessmen's evaluation of current economic conditions and their expectations for the next six months

All this, combined with a services deficit in 1981 somewhat smaller than this year's, should bring Germany a larger visible trade surplus next year and a markedly smaller current account deficit. In these circumstances there is a reasonable prospect that the Deutsche Mark will strengthen, further depressing the import bill and helping to reduce the imported element of inflation.

In other words Germany in a year's time will not be fully back on the familiar virtuous circle of a very big current surplus and a very strong Deutsche Mark it knew a decade ago. But neither will it be in the increasingly vicious circle pessimists prophesy for it.

One key condition, none the less, is that Germany takes stronger steps than hitherto to reduce markedly its dependence on imported oil. This subject is dealt with in detail elsewhere in this survey. Suffice it to say here that this year Germany will probably be importing slightly less oil (crude and products together) in volume terms than it did in 1973. But it will be paying close to DM 70bn for it compared with about DM 15bn before. Put another way, this year the oil bill will total about 5.4 per cent of GNP against 2.5 per cent only two years ago.

This is a danger but also a challenge which, if accepted, could be a major help in keeping Germany in the top competitive rank of industrialised nations. It has long been clear that the Germans have been able to sell their products in huge volume on world markets even when the price has been somewhat higher than that of a competitor.

The reason why is that they have often been able to keep themselves a nose ahead of other nations technologically, because orders are fulfilled punctually and because they provide reliable after-sales service. The trend throughout the Western industrialised world—and beyond—towards big investment in energy savings and oil-substitution is one from which the Germans now stand to gain enormously.

That goes in particular for the electrical and mechanical engineering sectors—two of the major contributors to Germany's economy and export effort. But it is also true for the services sector—witness the rise of the advisory services on the increasingly complicated question of which new technique is best suited to solve which specific energy problem.

The energy crisis has of course brought difficulties too, hence the plight of some of the German vehicle companies. But look at the benefits Volkswagen, for one, reaped because it spotted the market trend towards energy-saving quickly enough and took appropriate action.

System

The German "social market" economic system helps here. It encourages relatively rapid change to meet a new challenge—though this does not mean there are no State subsidies or that market forces are in fact as strongly in play as many Germans often suggest they are.

Two outstanding questions remain. First, even good products delivered on time could become prohibitively expensive. Are the Germans pricing themselves out of world markets because of rising wage costs in particular?

A study released by Dresdner Bank this month compares hourly wages and productivity in Germany and other countries and contains a table of competitiveness based on wage costs per unit of output. The upshot is that over the last decade Germany has become slightly more competitive (by this measurement) against Belgium, France and the Netherlands, slightly less so against the U.S. and Britain, and has roughly maintained its position against countries such as Japan, Sweden, Italy and Spain.

The message is that the German situation is not worsening as dramatically as some suggest. But there is absolutely no cause for complacency either.

The answer to the first question leads inevitably to the second. Will the relatively smooth relations between trade unions and management in Germany be maintained? This issue too is dealt with in detail elsewhere in this survey. It is true there are problems, among them the rise of a new generation of trade union leaders who were not directly involved in the post-war reconstruction. There will certainly be new frictions—which will be deeply deplored by most Germans. But a glance across its borders suggests that the Federal Republic will remain better off in this respect too than most leading countries—perhaps all of them.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Financial problems loom large over prospects

THE EEC

JONATHAN CARR

IT IS sadly appropriate that a table of budgetary receipts and expenditure is being used to illustrate this survey of West Germany's policy towards the European Community. It would be much more pleasant to report that the financial aspect was of secondary importance and that major political initiatives were in prospect.

How nice it would be if Bonn were ready to brush the thick layer of dust from its copy of the Tindemans report on European union, or even to throw its weight behind the EEC reform proposals made by the so-called "three wise men" (called into action at the initiative of the French President, no less), but alas, most of the current evidence suggests the contrary. Money is at the heart of the matter.

Chancellor Helmut Schmidt's attitude to the identity of a new President of the European Commission, to succeed Mr. Roy Jenkins, is significant in itself. At one time he was toying with the idea that the Italian Treasury Minister, Signor Filippo Pandolfi, might be the man. When domestic Italian politics seemed to preclude this choice, he raised the name of the former Dutch Finance Minister, Mr. Wim Duisenberg. Not that he is unhappy about the final appointment of Luxembourg's Mr. Gaston Thorn, but the trend of his thinking was clear enough: Financial problems were going to be uppermost and it would be wise to have a man as Commission President who had knowledge and practical experience of the field.

Ideal

And what, it may be asked, about Herr Schmidt's view that, ideally, every member of the Commission should be capable of holding a cabinet post in his home country? Might that not make for a singular clash of strong wills when tricky financial issues, above all, were discussed? Perhaps so. At any rate Herr Schmidt has abandoned this view of an "ideal commission" in favour of one in which one outstanding figure heads an efficient team—no more but, it is hoped, no less.

No member state doubts that in 1981 the EEC is heading for one of its most difficult periods—one hesitates to use the word "crisis" since it has become devalued by its constant repetition in the context of the Community. The issues of the EEC Budget, reform of the Common Agriculture Policy (CAP) and further enlargement of the Community (to include Spain and Portugal) are almost inextricably intertwined. Bonn knows very well what it wants on the issues of budget and enlargement, but is not yet certain how far to aim for changes in the CAP (apart from supporting measures to cut surplus production—an aim to which most European politicians have paid lip service for years while the surpluses have grown).

The Government has made clear that it wants a reformed EEC financial system "which does not one-sidedly place burdens on just a few member states while others, which are economically no worse off, receive large net payments from the community."

It is not hard to see who Bonn has in mind. The accompanying table shows the expected net contributions to, Budget next year. The first column shows the figures as they would have been had there been no agreement on Britain's EEC Budget problem last summer. The second column shows the position following that agreement.

There are three points to make. First, the net contribution of West Germany has markedly increased while that of Britain has declined (although it remains fairly high). Second, France has moved from being a marginal net recipient to being a fairly big net contributor. Third, four countries fall within the Bonn definition of being "economically no worse off" while being large net recipients from the EEC budget. The Benelux states and Denmark. Those four thus have some cause to be shaking in their shoes. They could face an "unholy alliance" of the EEC's three biggest member states, all net contributors and all discontent.

Is such an alliance of the "big three" really on the cards? True, Herr Schmidt used to support the idea of a "triangle of power"—Bonn, Paris, London—on the grounds that bilateral Franco-German co-operation, though wholly desirable in itself, did not bring the optimal degree of stability in Europe. But that was before his growing disenchantment with Britain's economic policies and his gradual conviction that Britain wanted no part of such a European arrangement. Of course, if Prime Minister Mrs. Margaret Thatcher gave firm signs that Britain now felt otherwise and was prepared to tailor its policies accordingly, that would be a different matter, but Herr Schmidt is inclined to be sceptical.

How, then, does West Germany see the Budget problem being solved? One idea has about it the dangerous innocence of an unexploded bomb. Perhaps, suggests Bonn, the principle of an upper limit for the net contribution of a member state should be extended thus to include Germany (as well as Britain), and perhaps a similar limit should be imposed on the net amount of any member state can receive?

That would be one way of limiting the extent to which West Germany acted as "paymaster of Europe." At the same time the Government—at least the Chancellery, the Finance Ministry and Economics Ministry—insists, often with frightening intensity, that the legal ceiling placed on the amount of Value Added Tax (VAT) the EEC can obtain from the member states to finance its Budget must not be raised. At present there is a 1 per cent VAT ceiling, and Community expenditure will have risen to hit it by 1982 at the latest.

THE EEC BUDGET-1981 (Dm. m.)

Column "A" shows position as it would have been without the budget settlement with Britain this summer; column "B" shows how the position changed because of the settlement.
Net contributions (minus) and receipts (plus).

	A	B
W. Germany	−3,414	−4,965
Britain	−5,371	−1,695
France	+ 25	− 891
Italy	+2,159	+1,619
Ireland	+1,707	+1,729
Belgium	+1,506	+1,313
Holland	+1,406	+1,237
Luxembourg	+ 803	+ 796
Denmark	+1,406	+1,370

Source: West German Finance Ministry

The West Germans are not willfully denying the EEC funds they could raise without difficulty. The Bonn Government faces one of the toughest domestic savings programmes it has ever undertaken. Already some minor taxes are to be raised to help pay part of the extra bill caused by the settlement with Britain in the summer. There is not much scope for raising other taxes with the domestic economy flagging and that means stringent belt-tightening.

It should be stressed there are some at the Bonn Foreign Ministry who take what might be called a "more political view." There it is held that if the choice is between raising the VAT ceiling or risking the breakdown of the EEC, then the first course will be taken. But it is also worth noting that a decision to increase the VAT taken by Brussels would need parliamentary ratification of the member states and, in West Germany's case, broad support in the Bundestag across party lines.

There are few signs that this support would be forthcoming. That in turn implies that there is no course but to take firm measures to hold back the growth of EEC agriculture expenditure, which accounts for some 70 per cent of the Brussels Budget. Here, it is far from clear that France and West Germany are in accord.

The French have made it plain, in public and in private, that they will not accept reform of the CAP: only adjustments to curb abuses. Herr Josef Ertl, the Bonn Agriculture Minister for the last 11 years and quite possibly fulfilling the same role for another four, is also against changing the principles of the CAP. The fear is that if this policy were fundamentally changed then the key achievement of the EEC in creating a common market for industrial goods would be threatened—with grave consequences for Germany above all.

Enlargement

The question, then, is whether enough can be done to hold back expenditure without reforming the system itself. Past experience suggests it cannot. But if this is so, can the Community afford to [illegible] new members, [illegible] extend the common price system of the CAP to more southern produce? The answer is no, but the West Germans none the less see enlargement as a political and, indeed, military necessity to help safeguard the southern flank of NATO.

One could hardly find a better example of the irresistible force and the immovable object in international politics. It would be fruitless to pretend a way out of the mess is clear at present, but it is worth, in closing, to recall two points.

Herr Schmidt has just come through a general election with an increased parliamentary majority—he is probably in his last full term as Chancellor—and he must be aware that he will never be in a stronger position to try to force events in the EEC. Second, in 1977 virtually everyone was bemoaning the absence of major progress or even of initiatives in the EEC; by the end of 1978 the decision had been taken on a Franco-German initiative to establish the European Monetary System (EMS). Against the evidence, 1981 could bring further surprises—not necessarily unpleasant.

Added impetus to maintaining a balance under restrictions

DEFENCE

ROGER BOYES

PITY POOR Hans Apel. Two years ago he overcame lingering doubts and shed the Finance Ministry portfolio to take up his current job as German Minister of Defence. The example set by Chancellor Helmut Schmidt, himself a former Finance and Defence Minister, seemed to underline that it was an important stepping stone in the career of an ambitious politician.

But Herr Apel has rapidly discovered that in no other portfolio—not even Finance—are the options so tightly circumscribed. Germany's geography (its long border with Warsaw Pact countries), its history (which makes the non-stationing of nuclear weapons on its soil an important point of policy), its party political complexion (a sizeable part of the Social Democratic party was opposed to new theatre nuclear weapons), its present financial state (a current account deficit this year of DM 20bn plus) and its strategic position, all these contribute towards making German defence policy little more than a balancing act.

How, for example, does one maintain a balance between one's commitment to the NATO alliance, and specifically the U.S. with the need to maintain a dialogue with (and, at the same time, deter) the Soviet Union and Eastern Europe? It is not a static process; earlier in this U.S. election year, White House interpretation of what constituted Alliance solidarity seemed to change almost monthly and, after the Soviet invasion of Afghanistan and the Polish troubles, talking with the East became even more difficult than usual.

Out of this web of policy prerogatives, a coherent defence programme has to be spun. Paradoxically, the Soviet Union, in its curiously self-defeating way, came to the aid of Herr Apel's frustrated defence planners.

The Soviet invasion of Afghanistan suddenly gave the Defence Ministry more leverage than it has had in years and above all it gave a focus to German policy. The balance of power in the Gulf had to be restored (though by diplomatic rather than military means), forces had to be given more flexibility and defence spending had to be boosted to meet the NATO target of a 3 per cent real increase. Left-wing critics of German defence spending—and of the NATO missile modernisation plan—were temporarily winded, a supplementary budget was drawn up to help beef up aid to Turkey and ease the strain on the German army's fuel costs, the West European union lifted tonnage restrictions on warship construction and new, potentially expensive multinational projects, such as the Franco-German tank, were mooted.

But Germany has not become a military superpower overnight. It may have an extremely large conventional army (see table) but, at root, the Soviet invasion of Afghanistan and the subsequent Alliance discussions merely underlined Bonn's limited room for manoeuvre within NATO.

There is, for example, no question of the German Armed Forces acting in a Gulf Emergency Force, no possibility of German ships participating in a joint Naval Force to the Straits of Hormuz, no likelihood of a permanent stationing of German warships in the Indian Ocean. In short, the Germans see their defence role as essentially a European one.

The problem is that this relatively limited defence role does not match up with Germany's proven economic strength or with its growing importance on the international stage. To U.S. critics, for example, it appears that Germany is trying tacitly to assume a world leadership mantle without committing itself to the responsibilities of global defence that such leadership requires. It is left to the U.S. to take the global defence duties—and take the risks—while Germany merely shows itself willing to fill in the gaps left in its own defences by a sudden U.S. withdrawal.

GERMAN DEFENCE AT A GLANCE

Military service	15 months
Defence expenditure 1980	38.85 Dmbn.
Total armed forces	495,000 (including 225,000 conscripts)
Mobilisation strength	1.25m approx.
Army	335,200
Navy	36,500
Air Force	106,000

Source: International Institute for Strategic Studies.

Much of German diplomatic activity in the U.S. has been concentrated on trying to dispel this impression. In the first place, Bonn repeats the point about the various limitations on its room for manoeuvre. But German officials also stress that Germany views the NATO alliance as a collection of countries with different, contributing tasks and not as a mirror-image of the Warsaw Pact. The German Alliance philosophy is that of "Division of Labour." This means simply that it is pointless for Europeans slavishly to mimic the U.S. in, say, creating a Gulf defence force; rather European countries should exploit their traditional links with the Alliance or outside it, and cultivate bilateral military ties.

There is no denying, however, that Bonn was [illegible] worried about the general [illegible] of U.S. leadership, [illegible] immediately after the [illegible] of Afghanistan, when [illegible] between the Allies [illegible] to be particularly [illegible]. In defence terms, one of the [illegible] sequences of this was a [illegible] ing closer of the [illegible] the Germans in [illegible] matters. This, too, squares up with Bonn's division of labour concept.

Thus Bonn has become determined that the Franco-German tank project agreed on earlier this year should continue, despite considerable doubts voiced by German industry. The German companies that developed the Leopard II tank were concerned that the French were simply not investing [illegible] in the project, that they [illegible] pared to take only a [illegible] number of the finished [illegible], that the know-how was [illegible] tially German and would be exported needlessly to [illegible]. The German Defence Ministry appears to be prepared to override these criticisms for the sake of sealing the Franco-German defence bond.

Maintaining the credibility of deterrence is the quintessential problem facing Germany over the next few years as the superpowers edge towards a fresh round of strategic arms talks. In December, the NATO Alliance decided to install medium-range missiles in Europe—many of them in Germany—but coupled the decision with the offer of arms control talks with Moscow. The Soviet Union promptly refused to start such talks as long as medium-range weapons were due (the first will not be deployed until 1983) to be stationed in Europe. The Kremlin line was, it was assumed, designed to strengthen

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Problems more complicated than the answers imply

FOREIGN RELATIONS

JONATHAN CARR

IS West Germany's "Ostpolitik" in ruins? Is Bonn breaking Western Alliance ranks to intensify its links with the Soviet Union? Is its friendship with the U.S. seriously endangered?

These questions have all been posed—in the Federal Republic and abroad—in these last difficult months. The Bonn Government, which sets great store by the "firmness and predictability" of its foreign policy course, has naturally given reassuring answers to each one. But the situation has become more complex than either the questions or the answers imply.

Three examples help to show why. Earlier this month the East Germans sharply increased the entrance fees which West Germans and West Berliners have tn pay to cross tha border. Not only is the measure likely to mean a marked reduction in visits to East Germany from the West, after a decade of Ostpolitik during which these contacts had soared, it also means new, severe strains between Bonn and East Berlin ond pushes into the far distance a long-planned, and oft-postponed, meeting between Chancellor Helmut Schmidt and the East German leader, Herr Erich Honecker.

The West Germans have little doubt about why the new measures were taken. They believe the East German authorities fear the de-stabilising influence of a furthar, major influx of Western visitors while the newly independent labour movement continues its struggle in neighbouring Poland. Herr Schmidt hod already lost a friend and leader he admired when Poland's Mr. Edward Gierek was toppled from power by the labour unrest. Now hopes of an intensification in East-West German relations have been dashed too. Worse, it is assumed that the East Germans would not have taken so drastic a step without the approval of the Soviet Union. Some voices are, therefore, suggesting not simply that the Ostpolitik bas run into the ground but that a new Cold War is imminent.

Clearly thot might yet be the outcome if the situation in Poland develops into a crisis which other Warsaw Pact states believe endangers their vital interests. But the last decade of Ostpolitik has shown that for virtually every step forward there bas been at least o half-step back. There have been repeated difficulties between Bonn on the one hand ond the Soviet Union and its Eastern European allies on the other. Yet they have generally been overcome for the good reason that each side had something the other needed. That remains true—even now.

Benefits

For the West Germans the immediate benefits have lain in greater trade, economic and human contacts, and the resettlement in the Federal Republic of hundreds of thousands of ethnic Germans from the East. The much more distant aim is to help achieve so great a relaxotion of tension in Europe that the German people will be able to unite in free self-determination.

No one thinks the realisation of thot aim is just around the corner, and the Polish events in themselves underline the *dilemma of the Ostpolitik*. How can stability within Eastern Europe and between East and West Europe be maintained when a Communist dictatorship relaxes its hold enough to allow at least some elements of a domestic opposition? Can a more flexible situation, which is after all a key aim of the Ostpolitik, remoin controllable? It is because of these questions that many Germans have watched the Polish events with deep and mixed feelings—admiration for the workers and fear for the achievements of a decade of detente.

The benefits from Ostpolitik for the East are a similar mixture of the concrete and the theoretical. East Germany has gained marked economic and financial benefits from the Federal Republic, and stood to gain more had the Schmidt-Honecker meeting been realised. For this reason it was long prepared to tolerate a growing degree of relaxation, a greater number of Western visitors.

For Moscow, West German industry and technology has been important—in some cases crucially so—in fulfilling key elements of its economic plans. No doubt the Russians toy with the idea that the Federal Republic might be detached from the Western Camp, at least they would bardly be buman if they did not bave thot hope. But the realisation of such an aim seems, judging by present attitudes, to be markedly less realistic than the German bope of unity.

Gesture

Not everyone would sbare that view—either in the West io general or in at least one currently influential part of the U.S. administration. Herr Schmidt's visit to Moscow on June 30 and July 1 for talks with the Soviet leader, Mr. Leonid Brezhnev, can easily be interpreted as a gesture whicb helped the Russians out of the international isolation caused by their invasion of Afghanistan.

During the same visit the signature (albeit at relatively low level) of a long-term Soviet-West German economic co-operation accord, gave many cause for unease. Were the Germans really going ahead with "business as usual" despite their decision to boycott the Olympic Games over Afghanistan os the U.S. had requested? Have they become so dependent on Soviet contracts (and raw materials) that they cannot afford to stand with the West agoinst Moscow when the international situation seemed to demand it?

The first part of the answer is that Herr Schmidt's Moscow visit had relatively little to do with Afghanistan. It hod a lot to do with the problem of Soviet intermediate-range nuclear missiles, those which can hit virtually all Western Europe direct from Russian territory. This balance of interests was not clear to everyone when the visit took place. However, Herr Schmidt could do precious little about Afghanistan in Moscow, beyond strongly and publicly condemning the invasion, warning of the dangers for detente and urging that Russian troops be withdrawn. But he could—and did—bring progress on the missiles issue.

The Soviet Union agreed to begin talks with the U.S. on the question, without insisting that a NATO decision of last December first be rescinded. Under that decision the Western Alliance agreed to produce intermediate-range nuclear missiles of its own, and to install them if the negotiations it offered to Moscow came to nothing. A dangerous deadlock then developed, with the Russians refusing to talk and the U.S. highly unwilling to do so because of Afghanistan. Herr Schmidt set out to break that deadlock—not because Afghanistan did not matter but because European interests above all would be vitally affected by o further upward spiral of the nuclear missiles race. Of course, none of that means that the Soviet-U.S. talks will definitely result in agreement, but what could be done by Bonn and the Europeans on the issue has now been done.

The second and economic part of the answer is that the West Germans are not, in general, vitally dependent on their Soviet and East European trade, although some industrial sectors would suffer considerably if a total embargo were imposed. For example, in 1970 only 5.8 per cent of West German mechanical engineering exports went to the Comecon countries; in 1978 the proportion had exactly doubled. At present, the West Germans import about 16 per cent of their natural gas from the Soviet Union ond, if a deal currently onder negotiation goes through, that proportion will rise to a maximum 30 per cent. If the Soviet gas were then interrupted — for whatever reason—the Germans would face a major problem, hut not a catastrophic one given their energy "mix" and the diversity of their supply sources.

But that is not the crucial point here. The West German Government is pledged to support the embargo on high technology deliveries to the Soviet Union, imposed by the U.S. after the Afghanistan invasion. It is also ready to support an extension of the list of the Co-ordinating Committee on East-West Trade (COCOM), which lays down which sensitive Western products should not be exported to the Soviet Union for security reasons. But it is not ready to go beyond these pledges to bar exports of other products to Moscow, simply on the grounds that such action might please the U.S. Government and win the approval of American public opinion.

That is the point at which Bonn draws the line and that is one meosure of o new German political self-confideoce. However, the spectacle of a West German Chancellor (with some flanking help from the French President) prodding the two superpowers into talking to one another on the missiles issue is itself a novel one. It could almost certainly not have happened a decade ogo and exemplifies well how West Germany's international political influence has grown to match its economic strength.

Foresight

The relative change in the political weight of the U.S. and West Germany has been a far more important source of difficulty between the two countries than any personal irritations between Herr Schmidt and President Jimmy Carter. It raises a whole array of new problems which demand much foresight and patience on both *sides of the Atlantic*.

A recent West German opinion poll makes the point well enough. Asked which country they felt to be the Federal Republic's best friend, 53 per cent chose the U.S.—easily in the *first place*—followed by Fraoce with 14 per cent. Asked what was more important for the future of the German people, good relations with the U.S. or with the Soviet Union, 63 per ceot chose the former and only 12 per cent the latter. In 1954 when the pollsters put the same question, 62 per cent had chosen Washington and 10 per cent Moscow.

So far so good. But the *question was also asked whether the* Federal Republic should wholly support Washington on foreign policy or decide in some cases to go its own way. Here 30 per cent spoke in favour of unqualified support whereas 56 per cent wanted a case-by-case decisiou.

The conclusion to be drawn from these results is surely not that the West Germans are becoming more anti-American, or pro-Russian—or even more neutral—but that they bave become more pro-German (or perhaps more pro-European, the data is not sufficient to make this clear). There was a time when the Germans virtually bad to accept whatever U.S. policy demanded, grateful for American help in rebuilding their country and for the U.S. defence shield. They are still grateful, but that is a long way from offering unconditional support for American policy in oll circumstances.

Added impetus

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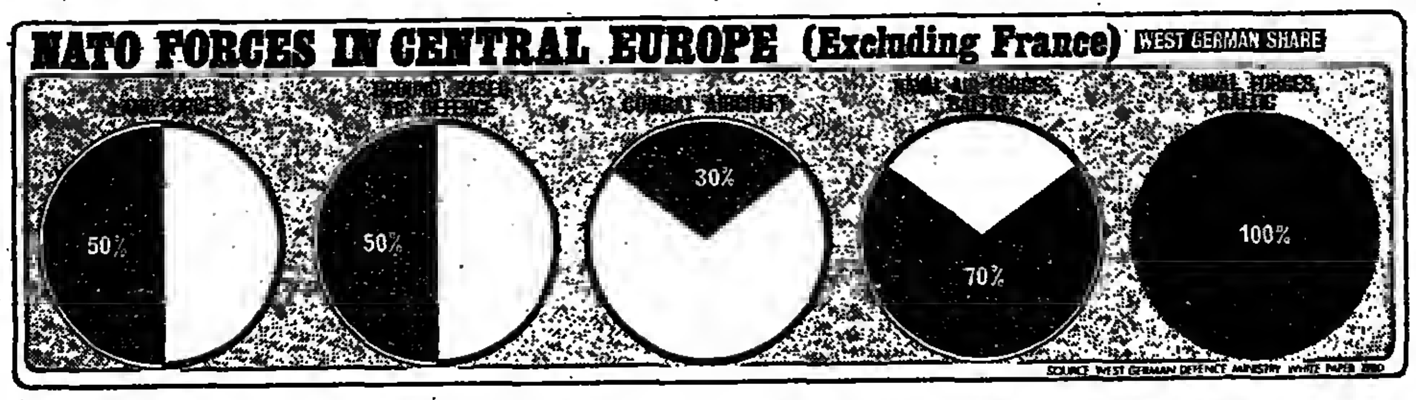
the hands of those domestic opponents of the NATO decision in Belgium, Holland and Germany (where the Social Democratic party congress, after considerable soul searching, approved the NATO move).

This bas had o degree of success in Belginm and Holland bnt, as far as Germany is concerned, the invasion of Afghanistan has effectively quelled most murmurs of discontent. *Moreover*, when *Chancellor* Helmut Schmidt broke the ice surrounding the Soviet Union this summer he came back with the promise that Moscow would negotiate after all—providing the talks included forward-based systems.

This may prove to be one of the sticking points in the coming talks: how are the forward-based systems to be defined? As far as German defence *specialists* are concerned, *the* FBS are assumed to mean the 170 F-111 bombers stationed in Britain and nuclear strike aircraft on U.S. carriers in the Mediterranean. But what if the Russians want to include the submarine-based Poseidon warheads (actually olready counted in the unratified SALT 2 treaty) or the U.S. Phantoms based in Europe? The U.S. would then, no doubt, want to broaden the Soviet negotiating area to include a variety of modern Soviet aircraft capoble of hitting Western Europe. The list could expand almost endlessly and in the interim the Soviet Union could continue to place more and more SS-20s missiles in Western Russia so thot the imbalance in favour of *Moscow* would rise disturbingly.

For Chancellor Schmidt, who first drew public attention to these medium range "grey zone" weapons, this is an *alarming* prospect. *SALT 2*, a relatively straightforward treaty,



took over six years to negotiote. How long would it take to reach a medium-range missile agreement, beset as it is with definitions problems right from the beginning?

But the immediata problem bothering the Chancellor and Herr Apel is how to build an efficient form of consultation into the forthcoming arms control talks between Washington and Moscow. There is the problem, too, of what forum is most suitable for talks on *medium-range weapons*, given that SALT 2 has not been ratified—a foct that is bitterly regretted in Bonn. Can there be a SALT 3 without a SALT 2?

Chancellor Schmidt's election victory—or rather the astonishingly good result of Herr Schmidt's Liberal Coalition partner, the Free Democrats—should strengthen his hand within the SPD. The intense opposition to the new NATO arms decision experienced last year is unlikely to be repeated as long as arms control talks are being held. Even if such opposition does emerge, Herr Schmidt will be oble to push through his line with the aid of the FDP. This is partly because of his own obviously sincere wish to get talks started with Moscow and also because of Soviet action themselves.

But one worry will be if the smaller Allies, disillusioned by the slow progress on arms control talks, decide not to station the new generation of theatre nuclear weapons on their soil after all. Holland has imposed o two-year delay on its decision to accept 48 U.S. cruise missiles while Belgium's decision now oppears to rest entirely on the success or otherwise of talk with Moscow. This is of real concern to Germany because it hos firmly pledged that it will not be the only continental European country to have the new weapons on its territory.

As the prospects for the arms talks become clear over the coming 12 months—will they become bogged down from the word "go"?—so will Germany's evolving relationship with its European NATO allies. Bonn may well find itself growing more assertive, if only to ensure that it does not become isolated within the Alliance.

Immigrant population at record level

FOREIGN LABOUR

KEVIN DONE

THE SIZE of the Federal Republic's foreign population has this year reached a new peak of 4.14m, despite the fact that the large-scale recruitment of foreign workers (gastarbeiter) to help fill employment gaps in the booming West German economy was officially halted as long ago as 1973.

Between 1974 and 1977 the total foreign population did decline slightly by around 180,000, but in the last two years it has headed up again to a record level. In periods when the economy has heen expanding strongly, such numbers have been relatively easily assimilated, but there are now growing fears in West Germany that if unemployment problems start to grow the first to be hit will be the foreign workers.

They have long been regarded by many as a "reserve labour force" that could be employed in times of boom and more easily laid off when the economy started to run out of steam. More and more the authorities are realising, however, that this temporary workforce is taking on all the appearances of becoming a permanent presence in the Federal Republic.

Dr. Josef Stingl, president of the Federal Employment Office, warned receotly that foreign workers could find themselves forming a new unskilled labouring class in the Federal Republic. "They are not necessarily the unemployed of tomorrow, but perhaps the proletariat of tomorrow. That is a sweeping remark, but I really do see this danger. They would be employed as temporary workers and then laid off again at any moment."

The scope of the difficulties facing the authorities is more complex, however, than just the problems of the labour market. The arival of more and more foreign families coming to join husbands already working here combined with the birth of a generation of foreign workers' children, whose only direct knowledge of their home country comes from their parents' descriptions, promises to set formidable problems of social integration.

The latest wave of would-be immigrants has occurred as a result of West Germany's very liberal political asylum laws. In the last two years there has heen a surga of people from Turkey and a string of third world countries. Eritrea, Somalia, Afghanistan, Pakistan and India, turning up at German airports and border points claiming to be the victims of political repression. According to the Basic Law of the Federal Republic, such people cannot be simply turned away: their petitions must be given a proper court hearing.

Overwhelmed

The sudden flood of sucb "economic refugees" overwhelmed the established tribunal system with the result that cases were taking np to three or four years to be heard. During this period applicants were free to atay, under certain conditions, in Germany. The entry system has been tightened np in recent months and the flow of would-he "political refugees" has slowed considerahly as a result, but the fiasco of the summer months has clearly been disturbing.

Today, one in every 15 in the population of the Federal Republic is non-German, and the length of stay of most foreigners —more than half have now been io West Germaoy for more than eight years—suggests that many have settled in the country for the long-term and are unlikely to return to their homelands.

A study published recently by the German Institute for Economic Research shows too that foreign workers from particular nationalities are sending less money back to their countries of origio than was the case some years ago, suggesting that family members are more often being brought to Germany to live.

The birth rate among the foreign population is also more than 50 per cent higher than among the native German populadon, althongn it has fallen sharply, and an increasing proportion of foreigners in West Germany are present not as workers, but precisely as family dependents.

Back in 1972 some 65 per cent of the foreign population were in employment, but with the growing number of wives and children present the proportion has fallen to only 49 per cent, much closer to the average for the whole German population of 43 per cent. The size of money transfers has been falling, particularly from the Turkish popnlation. In 1972 the Turks were sending more money home than any other nationality, around DM 4,700 per worker.

By last year the Turks' transfer payments had fallen to an average of little more than DM 3,000 per worker, a figure easily surpassed by the Spaniards, Greeks and Yugoslavs in Germany who are still remitting sums from DM 4,200 to DM 5,000.

Total foreign worker payments out of Germany last year amounted to DM 6.4bn, according to estimates made by the Bundesbank, the West German Central Bank, and are an important contributor to the negative side of the Federal Republic's growing deficit on the current account of the balance of payments.

There has been, too, a sharp turn-round in the halance of migration to and from Germany. Since 1978 more foreigners have been coming to Germany than have been leaving, a development brought about chiefly by movements of the Turkish and Italian populations. Among the Italians travelling to and from Germany many were simply taking advantage of the freedom of labour movement granted by membership of the European Community and were coming to the Federal Republic specifically to find work.

Among the Turks, however, a very different picture emerges, with the majority of the movements accounted for by family members.

What is disturbing for the German authorities is that in many cities the concentration of foreigners and of single nationalities in particular neighbourhoods of the larger cities is threatening to create permanent ghettos, which can only hinder the process of integration.

It is seen clearly in a city such as Frankfurt, which has the highest concentration of foreigners of any of the larger German cities. In Frankfurt every fourth person is non-German, but in some areas of the city, particularly around the main station and between the station and west port, virtual foreign ghettos have been formed where the proportion of foreign residents has already passed the 70 per cent mark.

The problem becomes most acute, however, in the schools. The city has more than 30,000 foreign children, representing about 23 per cent of the foreign population. The same age group among the city's German inhabitants accounts for only about 13 per cent.

The result is that some schools in the city have classes of more than 30, in which only a couple of the pupils are Germans. Teachers are confronted with classes where the children have nine or 10 different languages, and the city estimates that across the city more than 40 per cent of the children starting infants school will soon be non-German.

The danger that Germany is facing for the future ia that it will create a large group of second-class citizens, often denied the rights of full citizenship, severely disadvantaged in terms of education and training, for whom only be most unattractive jobs in German society are available. The resentment that such conditions can arouse over the years and the danger of alienation clearly provide a fertile breeding ground for future discontent.

The majority of foreign workers have usually found themselves in jobs where there is an above average chance of being made redundant.

Foreigners have also found themselves mainly employed in sectors that are very sensitive to changes in the overall state of the economy. More than 60 per cent of tha foreign workers are employed in manufacturing industry and another 10 per cent in the construction industry. Conversely, of course, some of these industrial sectors could barely function without their foreign workers.

At a company like Ruhrkohle, West Germany's main coal-mining group, more than 15 per cent of the workforce are foreigners, but at some of its pits the company is almost exclusively dependent on foreigners to work underground at the coal-face. Some 12 per cent of the country's construction workforce consists of foreign labour, and foreigners also make up 13 per cent of the total labour force of manufacturing industry.

Foreign workers leaving the Opel factory at Russelsheim

For many years the anthorities' policies towards foreign workers were clearly hostile towards making it possible for them to settle long-term in the Federal Repnblic to live and work. The regulations have been eased somewhat, however, since 1978, although permission to stay indefinitely still hinges on several factors such as the length of time already worked consistently, knowledge of the German language, adequate living accommodation for the worker and his family; and whether children of school-age have actually been sent to school.

Conditions for future full citizenship are being made rather easier for young people who have grown up in Germany and bave done most of their schooling there.

As the report from the German Institute for Economic Research makes clear, the political will to foster the integration of the foreign populations is now being expressed, but the facts hardly correspond yet to the hopes. "The situation today is characterised rather by the formation of ghettos, by under-privilege, and in part by a lack of willingness on the part of both Germans and foreigners to integrate."

It is especially the young foreigners who find themselves caught between two cultures, and they are often further handicapped by lack of education. Some 20 per cent are not attending school regularly. 60 per cent do not gain their school-leaving certificate, and 50 per cent do not go through the obligatory vocational training.

Leaders urged to take a more aggressive stance

UNIONS

ROGER BOYES

THE FINELY-TUNED relationship between West Germany's trade union movement and the country's employers has come in for a hattering over the past year, as both sides jostle for more bargaining power before this winter's tough wage negotiation round.

Both sides have been arguing bitterly over the maintenance of strict workers' co-determination rules in steel companies and over the use of the lock-out against striking workers. The co-determination row has also unearthed deep divisions between the two Government coalition partners the Social Democrats and the Free Democrats, leading to an embarrassing pre-election conflict. In the event, the issue was pnt on ice until after the elections, taking some of the sting out of the row.

Bnt it would be misplaced to dismiss the latest turmoil in labour relations as simply a piece of election campaigning theatre. There are profound changes taking place in the structure of the German union movement which go far beyond party political haggling or wage round bombast.

In the first place there is growing pressure on the aging leadership of the country's major unions to move away from their traditional consensual approach to a more aggressive stance. This emerged last month at the annual congresses of the IG Metal Workers' Union—the largest union in the Western world—at the IG Chemical Workers' Union and the smaller but influential Bank and Insurance Workers' Union.

Repeatedly the criticism was heard that the union leadership had grown soft partly because of years of Social Democrat-Free Democrat rule. The union's natural leanings towards the SPD means, claimed the union critics, that the leadership had muffled their wage claims in the "national interest," ignoring the interests of their representatives.

These criticisms have considerable substance—last year IG Metall, which usually sets the pace for the rest of the union movement, put in claims for some 10 per cent but ended up settling for between 6 and 7 per cent and the rest of the country followed suit.

The union leadership appeared to have accepted the employers' argument that German labour costs were among the highest in the world and that further wage burdens would lead to a fall in employment.

But this line of reasoning had only a limited appeal for the grassroots membership who have seen their fuel bills soar. Regional activists called on the union leadership—especially in IG Metall—to press for a special "fuel supplement" In addition to the normal wage increase. However, tha union leaders, after consulting with the Bonn Government, rejected these appeals.

Not surprisingly then, disillusion with the union leadership has crept in among the rank-and-file. The old generation of leaders—Herr Engen Loderer of IG Metall and Herr Karl Hauenschild of IG Chemie—have mada it clear that they have entered on their last terms of office.

These men helped to establish the re-constituted union movement after tha war, were involved in the early implementation of the worker-in-the-boardroom legislation and are close to politicians like Herr Herbert Wehner, floor leader of the SPD, who were active when the Federal Republic was created.

Critical

They are essentially men of consensus, while the up and coming generation, best symbolised by Herr Franz Steinkuehler, the combative regional union chief in IG Metall's Baden Wuerttemberg district, have sharply critical positions towards the Government and the employers.

Herr Steinkuehler, for example, has been pressing the IG Metall leadership to end the "pilot region" way of aettling wage conflicts. The pilot scheme effectively means that the first IG Metall district to settle with its regional employers sets the guidelines for most other negotiating districts. But as the central leadership often strongly influences the decision of the first district, settlements almost always end up as moderate wage increases.

The unions' particularly tough line on workers co-determination (Mitbestimmung) has to be aeen in this context. The union leaders—many of whom were involved in implementing the first 1951 law in coal and steel concerns—are anxious to prove to the radicals within the unions that no concessions will be made to the employers. This does not of course point to a quick solution of an extremely complex and controversial issue.

The root of the current dispute is the plan of the Mannesmann concern to merge its steel and pipes divlslons and thus save, it aays, some DM 50m a year through rationalisation. The prohlem is that such a merger would free Mannesmann from having to comply with the 1951 co-determination law whlch provides for strict parity between labour and capital on the supervisory boarda of steel and coal companies.

The move would instead put Mannesmann under the jurisdiction of a far more flexible 1976 law which provides for Mitbestimmung in all companies (except coal and steel concerns) that employ more than 2,000 people. This also gives workers parity, bnt gives the casting vote to a representative of the shareholders and provides that at least one representative of management has to he included in the workers' delegation.

The unions were never happy with the 1976 law and fear that as a consequence of the Mannesmann move it will be easier for steel companies, for example, to reduce their workforces.

But underpinning the union case are both tactical and symbolic considerations. The symbolic aspects is that the Mitbestimmung regulations were the first real test of union strength in post-war Germany, the first real victory for organised labour at a time when workers had lost their self-

CONTINUED ON NEXT PAGE

WEST GERMANY'S AGEING UNION LEADERSHIP

The age structure of the 105 executive board members at the head of Germany's 17 main unions:

9 are younger than 40
22 are between 41 and 50 years
71 are between 51 and 60 years
3 are older than 60

Key factor in the nation's economic development

TECHNOLOGY

ROGER BOYES

ONE OF the more noticeable ideological gulfs in the new Social Democrat/Free Democrat Government centres on the German economy's ability to respond to shifting market demand by quick innovations. How far should the State help companies to research and develop new products and thus make them more internationally competitive in troubled times?

The views of Count Otto Lambsdorff, the Economics Minister, have been known for some tima and indeed are etched on the hearts of his Liberal Free Democrat Parliamentarians. "Market forces," he said recently, "are not as hlind to the future as some people would have us helieve." "Some people," almost certainly embraces his Cabinet colleague, Dr. Volke Hauff, the Research and Technology Minister. A left-inclined Social Democrat, he believes that hnsinesses should be financially aided and encouraged to innovate hy the State, especially during an economic slowdown. Employment levels have to be maintained along with competitiveness.

The conflict is not as stark as it at first seems. Both Ministers agree that German exporters are facing hard competition (German productivity is strong but tbe combination of high wage and raw material costs, plus social benefits, has seriously hurdened small husinesses) and cheap imports are increasingly penetrating traditionally strong German industries (optics, cars) which have not reacted swiftly enough to changes in demand. Both Ministers agree that companies' ability to introdnce and adapt new technology will be one of the key factors in tbe economic development of the 1980s.

Innovation

The dispnte, or rather discussion, is whether the Research Ministry is really focusing enough on technological innovation or whether It is issuing tacit forms of subsidy to prop up old industrial structures. The Economics Ministry Is not opposed to the use of subsidy, but it distinguishes between "good" subsidies—those used to modernise and rationalise — and "bad" subsidies—those almed simply at maintaining capacity in industries that are stuck in the middle of structural crises (steel, for example).

A clear case in point was the granting this year of over DM 200m in soft loans—partly from the Research Ministry, partly from the Provincial State Government—to Hoesch, the steel company, to help finance new plant. Critics of the Research Ministry, including rivals of Hoesch, complained that Hoesch sbould actually have modernised several years ago and financed the changes itself (just as other steel companies had). The Research Ministry was thus distorting internal competition on the steel market, it was claimed.

If the pre-Election Christian Democratic arguments are to he believed, the Research Ministry has thus become a form of creeping Socialism, quietly pushing forward the State's infinence over industry. However, the figures give a rather different picture.

The Research Ministry's proposed spending this year is DM 6.17bn (np 11 per cent on 1979) and about 45 per cent of this has heen allocated to support scientific institutions, both at bome and abroad. That leaves about DM 3.3bn for research and development projects, about DM 2.3bn of which goes towards German husiness.

Of course DM 2.3bn is a substantial sum hut it has to be compared with the R aod D sums drawn from private industry. Thus Siemens, the electrical group, spent DM 2.7bn R and D—90 per cent self-financed—in 1978-79. Altogether more than DM 21bn was spent on researcb and development in the West German husiness sector last year, with the money being drawn overwhelmingly from the resources of private enterprise.

At first sight, a breakdown of this spending seems to support Count Lambsdorff's contentions that following market forces does not necessarily mean ignoring the future. Thus, according to the German Science Foundation, the seven fastest growing Industries between 1970 and 1976 included five of the largest R and D spenders. In terms of increased sales growth, the list was headed by the chemicals sector (which spent 4.7 per cent of its turnover on R and D), the car industry (5.7 per cent), instrument manufacture and optics (4.9 per cent), engineering (3 per cent) and the electrical-electronics sector (6.4 per cent). Including aerospace—which is almost entirely dependent on State funds for its R and D hudget—these five sectors are responsible for over 80 per cent of all industrial R and D in West Germany.

Where the State can play a role—and all sections of the Government are agreed on this—is to help the R and D budgets of smaller businesses. Tbe Research Ministry simply does not have the funds to create a "silicon valley" (on tbe U.S. model) dedicated to the fortunes of the micro-electronics industry and thus has to rely on companies like Siemens, drawing their own conclusions about their commercial future, to finance their own R and D. But smaller businesses, which have a good record for technological innovation, are the ones that cannot adequately keep their R and D budgets buoyant during recession. R and D personnel are among the first to be cut; research programmes among the first to be curtailed.

Exceptions

There are, of course, exceptions to this rule and in general even small businesses engaged in the two main science-based industries—chemicals and electronics—keep their R and D programme up to strength. But it is traditional export earnera such as the machine tool industry, with margins squeezed at home and hit by Japanese competition on third markets, that are the natural targets for state R and D support.

Yet for a numher of reasons Research Ministry aid to small businesses has not been applied very effectively over the past few years. Dr. Hauff points out that the amount of his budget allocated to small businesses has gone np from DM 96m in 1972 to DM 820m this year bnt, even so, many businessmen are very critical about the delays and methods involved.

The major criticism has been of the cumbersome bureaucracy of the Ministry and other Government bodies. Entrepreneurs who could have pot their product on the market in two years are claiming that they often have to wait for four years because of the various committees wbich have to investigate claims for Government help. The delay leads to added expense and fosters the notion that It is cheaper to go ahead without State aid. But companies stuck deep in the recession are actually more likely to abandon the idea altogether. The Federation of Young Entrepreneurs (BJU), an industrial pressure group, claims that this destroys the main advantage of smaller companies in export markets: their flexibility of response to changing demand and the ability to capitalise on new ideas.

The crude facts are that it is simpler to administer a single research project worth DM 30m with a large coocern that already bas an R and D infrastructure than to monitor 150 projects worth DM 200,000 each. This steers towards a situation whereby larger companies become skilled at applying for hefty research sums while smaller coocerns are deterred from doing so.

The inevitahle consequence of all this is that innovation is stifled. According to a finance specialist in the CDU, Dr. Lutz Stavenhagen, "Companies tend to settle for projects which they know will he approved today by the bureaucrats rather than wbat the market will actually want tomorrow."

Research Ministry officials maintain that their assistance is intended only as a pointer towards the type of Industrial R and D tbat it thinks desirable —towards eoergy alternatives, aircraft tecboology, data processing. The problem, they say is not philosophical or strategic but rather financial. If it had douhle its resources for industrial R and D it would be able to meet most needs of the economy.

Yet there are a number of indications that Germany is beginning to lag hehind other Western countries in terms of technological innovation. One measure of this trend is the amount of licences and patents that are sold and bought by Germany. Recent figures issued hy the Bundeshank, the Central Bank, show that Germany is in deficit as far as licence transactions are concerned; that is, German companies are buying in more know-how than they are selling. Most licences and patents were bought in the U.S., Switzerland and Holland, with chemical companies and electrical engineering companies buying the most. Most exported know-how — as expressed in sales of licences — went to the U.S., Japan, Italy, France and developing countries.

The State is only one cog in the R and D machine and it is clearly unfair to hlame it too heavily for slow innovation. The banks, for example, once the traditional source of risk capital, ara becoming more restrictive as far as financing new technological developments is concerned.

But the dilemma remains: should the State intervene more actively to encourage technical innovation or are such moves simply self-defeating? It is nnlikely that the new Coalition Government will try to provide definitive answers hut the search for even a pragmatic solntion could lead to an interesting tug-of-war between the parties over the next four years.

GOVERNMENT RESEARCH AND DEVELOPMENT SUPPORT FOR GERMAN BUSINESS
(Dm. m)

	1976	1977	1978	1979	1980
Direct assistance	1500	1600	1900	2200	2300
Indirect assistance	106	153	139	474	620

Source: West German Research and Technology Ministry

Different stance

CONTINUED FROM PREVIOUS PAGE

confidence after over a decade of Nazi rule.

For a company to evade the 1951 law, hits at the achievements of the current union leadership and thus nndermines their position vis-a-vis their much younger, mucb more radical membership

The second union consideration in tbe Mannesmann row has heen the need to maintain a strong wage negotiating front as the German economy hegins to slow. Worker participation at supervisory hoard level generally helps in the formnlation of wage claims — information about the state of a company percolates through to the union machine via the worker directors.

Worker directors are also in a good position to keap an eye on the possibilities offered by fringe henefits, an iocreasingly important item in the overall wage claims.

The nnions have proposed a numher of possible schemes to Mannesmann that would allow the group to have DM 50m without having to push through a full scale merger. Mannesmann has so far rejected these ideas and will discuss the issue during its supervisory hoard meetiog on Novemhar 21.

One possihle solntion — surprisingly favoured by the Christian Democratic opposition —is that Mannesmann become liable to yet another co-determination law passed in 1956. This provides for strict parity in steel concerns hut gives shareboldars a slight edge in the hoard room.

A revision of tha 1956 law would have to he passed if Mannesmann were to fit comfortably within its framework. However unions are deeply suspicious of this solution and there is still a great deal of horse-trading ahead.

The Mannesmann row, coming as it did only weeks before the elections, provided the SPD with an opportunity to reaffirm its strong links with the union movement. The rallying call of the SPD was that the strict workers parity laws have to stay intact—and the policy clearly paid dividends. In 1976, 57.8 per cent of union members voted for the SPD and all the signs are that this support was maintained in this year's elections.

Implications

There is a school of thonght wbich suggests that the union leadership is fighting the wrong war. While it is clearly important to have a say in companies stuck in the middle of structural crises—steel and shipbuilding—it is surely even more important that the unions secure a hold in rapid growth industries such as micro-electronics.

Snch a course would help unions to steer the course of wage settlements to an acceptable level, it is argued. fledgling industries from the beginning, helping to chart strategy and watcbing carefully the implications for unemployment.

Instead, say critics within IG Metall, the leadership is reliving the past, hanging on to past legislation rather than pressing for new laws.

That is a convincing line of argument, but it Is equally understandable why the union leaders are on the defensive. The employers for example have this year won a case in the Federal Labour Court ruling in favour of their right to use the lock-ont.

The current union leadership is thus under siege from the employers and from within its own ranks. Little wonder then tbat the union leaders are a cantious breed, careful that the country's economic limits are not exceeded in wage claims. The alternative—a more aggressive approach—would probahly alienate the Social Democratic Government and at the moment the union leaders need every friend they can gat.

Domestic answers to heavy dependence on imports

ENERGY

KEVIN DONE

WEST GERMANY is dependent for as much as two-thirds of its eoergy needs on imports and is therefore highly vulnerable to events in world energy markets, particularly the world oil market. Last year, for the first time since 1965, the Federal Republic ran up a deficit on its current account of the balance of paymeots of some DM 10hn and the chief reason for the shortfall was the huge rise in the size of the country's oil hill.

In 1980, the price of crude oil has risen further and with it the size of the current account deficit to an estimated DM 30hn. Nearly half of the country'a energy needs are met hy oil alone and with more than a doubling of the price of crude oil in tbe last two years the Federal Government in Bonn and the Bundesbank, the West German Central Bank io Frankfurt, have found that the economic hurdeos placed on the country by the magnitude of tbe oil hill are suddenly playing an important role in undermining their freedom of manoeuvre to steer the Federal Republic's monetary policies.

The Government's response has beeo to try to orgaoise an eoergy policy that has as its main theme the alogan "Away from Oil," but it can bardly be said to have had any startling successes. Last year the Federal Republic's consumption of oil reached a oew peak, exceeding even the previous record year of 1973. It is true that this year oil use has actually started to fall again, but it is difficult to show bow much this is due to Governmeot-induced oil saving programmes or how far it is a result of lower geoeral economic activity and kinder weather conditions.

The much slower economic growth in the second half of the year means that Germany will have no problem improving on its target of importing no more than 143m tonnes of crude in 1980. In the first half of the year total energy use was down by three per cent, nearly all of which was due to falling oil coosumption, which dropped by no lesa than 8 per cent.

The chief cause of the fall in oil use was the much milder winter, which brought a 14 per cent fall in heating oil consumption in the first six months of 1980 against the corresponding period of 1979. Tba Federal Economics Ministry also claims that energy-saving measures do appear to have had some impact on the industrial use of heavy heating oil, which fell by 12 per ceot in the first aix months of the year. Officials aay there are two main factors at work: industry is investing more in fuel-saving machinery, and at the same time switching to coal and gas-hased processes.

Reduction

In the coming years the main goal of the Federal Republic's energy policy is to try to reduce the rate at which energy consumption grows in line with general economic expansion. In the years from 1960 to 1973 primary energy consumption grew at the same rate as West Germany's Gross National Product. From 1973 to 1979 the relationship did improve but the Government must be coocerned that in 1978 and 1979 the growth in demand for primary energy was again substantially higher than the general growth in the economy.

Apart from usiog thia measurement of the efficiency of energy use, Bonn has also expressed the desire to move to more forms of energy other than oil to fuel future economic growth.

At present West Germany relies on crude oil to provide no less than 50.7 per cent (1979 figures) of its primary energy, while other fuels play a decidedly more modest role. Last year, hard coal provided 18.6 per cent of the country's energy requirements, brown coal 9.3 per cent, natural gas 16 per cent, hydro power 1.4 per cent and nuclear power 3.4 per cent.

The use of oil has risen dramatically since the early 1950s. In 1950 it was still meeting only a tiny 4.7 per cent of Weat German energy requirements (natural gas met the even more modest sbare of 0.1 per cent) bnt by 1972 oil consumption had grown so quickly that it was providing 55.4 per cent of the country'a primary energy requirements, the highest point it has ever reached.

Despite suffering in the last two years from the effects of risiog oil prices, West Germaoy has managed largely to smooth over most threats to its physical oil supplies and at the same time bas done much to move its depeodence away from some suppliers in OPEC to suppliers cloaer to home, such as the UK and Norway.

West Germany has a small amonnt of domestic crude oil production, bnt it is only enough to meet just under 5 per cent of the country's oil requiremeots, and there is little chance of this level being raised. The crude is heavy and difficult to bandle and much can now only be produced throngh techniques of enhanced recovery.

Domestic natural gas production is more successful, meeting some 34 per cent of German requirements, but again there is little possibility of any significant increase in domestic production.

Domestically West Germany has only one really importaot energy resource, coal, but this is extremely expensive to produce and it can only be kept competitive with imported coal and other forms of energy such as fuel oil and gas through a massive programme of Government suhsidies. Last year state belp to the coal industry totalled DM 6.3hn in various forms of assistance, up from DM 5.3hn in 1978, and this year it could prove to he even higher. The Economics Ministry is deeply concerned at the prospects of having to meet an ever-growiog financial commitment to the coal industry and this year's contrihutions are putting a heavy strain on the already tight Federal budget.

With a major investment programme underway, the Federal Repuhlic is hoping to boost coal output to a level of around 100m tonnes hy the year 2000. Capital expeoditure of around DM 8bn will be needed to establish the extra production capacity and Ruhrkohle, West Germany's dominant coal producer, estimates that a fnrther DM 3bn will bave to be spent to maintain existing mines. Domestic coal production may be expensive, hut it is the only energy resource available in abundant quantities and the Federal Republic's coal reserves are estimated at around 24bn tonnes, which would give coal production a life of aronod 270 years at current output levels.

Towards the eod of the century, coal could also be making some contribution towards meeting oil and gas demand if the Government is successful in its aims of promoting coal liquefaction and gasification technology. Feasibility studies for Wesr Germany's first commercial-scale coal gasification plants should be completed by the end of the year and plans for the first coal liquefication plants will follow about nine months later.

Support

The plaots form part of an ambitious DM13hn coal-refining programme that is heing sponsored hy the Federal Governmeot, hut it is still not clear how the financing of the programme will be organised. The State is considering various forms of support from direct grant aid to equity participation, but much of the effort of financing Germany's move into coal refining will have to he borne by industry itself.

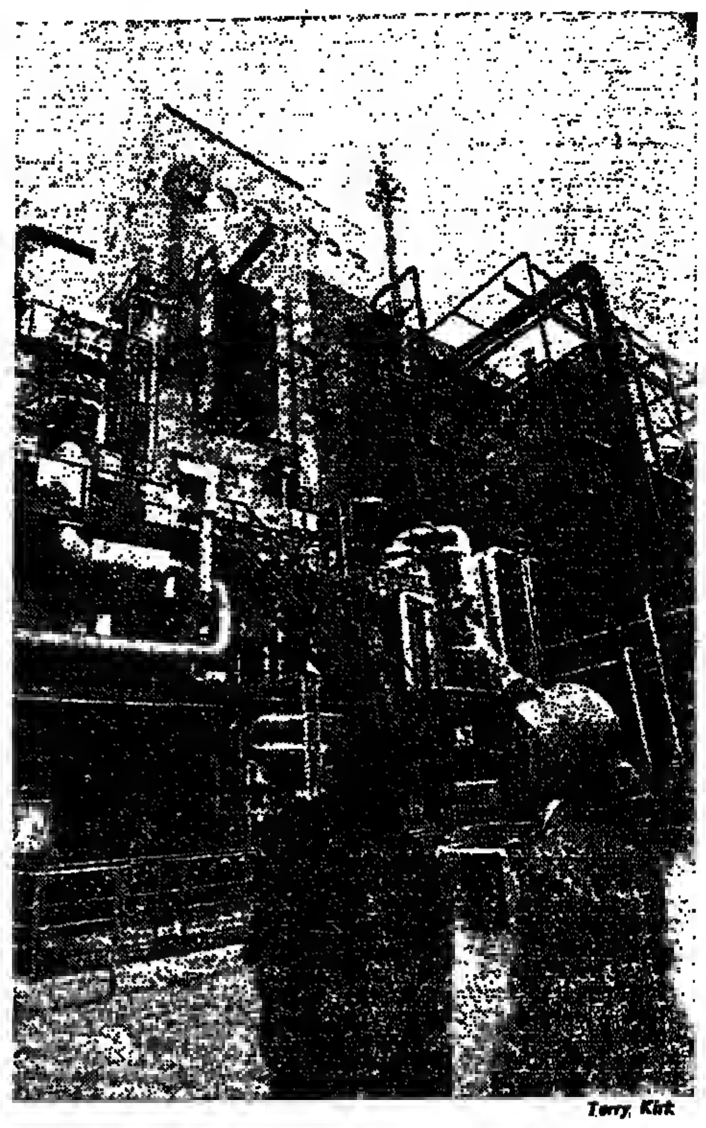
The Federal Government has 14 potential coal-refining projects under consideration, but it has warned that the plants will make very little difference to the country's overall energy supply position. Oil and gas products derived from coal will he available to meet only about 3 per cent of oil and gas demand by 1990.

One of the basic tenets of Bonn's energy policy to date has been that state involvement should he kept to a minimum and that structural changes should be brought about market forces. Price, for instance, is seen as one of the main factors in restraining energy consumption.

The State is actively involved, bowever, in subsidising various forms of energy, especially coal, and in promoting research and development work. Last year alone it spent as much as DM 9.5bn on measures related to energy, 67 per cent went on subsidising coal production, 21 per cent on energy research projects and 9 per cent on encouraging energy saving.

The country is facing some of its most searching questions, bowever, in the area of electricity supply and the future development of nnclear power. Last year nuclear power stations provided 14 per cent of the ntility companies' electricity generation, hnt the delays in building new power stations—coal as well as nuclear—has led the industry to warn that shortages of power could develop later in the 1980s. At present only some 9062 MW of nuclear power generating capacity is in use and a further 9903 MW is in construction, while 16,797 MW of potential nuclear capacity has been caught np at some stage of the planning process.

The future role of nnclear energy in tha Federal Republic has also been bedevilled by the inability of the authorities to push through a practical programme for the storage of nnclear waste and the re-processing of spent fuel elements. There is also concern that the delays and besitation over implementing a more far-reaching nuclear programme will permanently damage Germany's power station building industry, with the result that it will be unable to keep ahreast of the latest technological developments.



The pilot coal gasification plant at Dorsten, in the Ruhr; part of the Federal Government's feasibility study on replacing some of the demand for oil and gas with contributions from coal

Russian deal would boost supplies

GAS

KEVIN DONE

MOSCOW'S DECISION to open formal negotiations with a West German-led consortium of European gas companies on a massive new natural gas project between the USSR and Western Europe signals a further major step in the development of West Germany's already overwhelming dependence on imported energy. But it also represents one of the single most important boosts given to West German energy supplies for the late 1980s.

At a time when Bonn is making only slow progress in its policy of cutting back the Federal Republic'a oil consumption through the increased use of coal and, to a lesser extent, nuclear power, imported natural gas has offered itself as an invaluable alternative. One of the most positive results of Chancellor Helmut Schmidt'a visit to Moscow earlier this year was to open the way to formal negotiations on a new gas contract with the USSR, a project that could prove to be the higgest business deal ever reached between Eastern and Westarn Europe.

West Germany had been counting on boosting its natural gas supplies in the mid-1980s through the start of deliveries of gas from Iran and Algeria, but these bopes bave received nasty blowa in recent months through the revoluotion in Tebran and substantial changes of policy in Algiers.

Alternatives

The rapld pace with which talks between the USSR and Western companies have developed since July are the most optimistic sign to date that alternative supplies could be available to fill the gap left by Iran and Algeria. The contract with Iran was signed as long ago as 1975, when the then government of the Shah agreed through the National Iranian Gas Company to supply some 11bn cubic metres of gas a year to the Federal Republic, with deliveries beginning next year. Additional supplies were to have flowed to France and Austria with the gas being pumped across the Soviet Union by pipeline, but the project has been on ice since the end of 1978.

The quantities that were to have come from Algeria to West Germany were even larger. A number of customers had lined up to take Algerian liquefied natural gas (LNG) inclnding Ruhrgas, the leader of the Western consortium in the talks with Moscow, Salzgitter and Thyssen Gas, BEB, a joint affiliate of Shell and Exxon, Deutsche BP, the West German subsidiary of British Petroleum and Gasunie of Holland. Some of this list had completed all formal nagotiations and had signed a definitive supply agreement with Algeria, which was to bave supplied 17bn cubic metres of LNG a year by tanker.

Work had even begun on the engineering plans for a re-gasification plant at Wilhelmshaven on the West German North Sea coast, when the Algerians finally announced recently that they would not go ahead with the project.

Under the new project with Russia, Moscow has signalled its readiness to step into the breach by developing fields in western Siberia from which Western Europe could eventually draw as mnch as 40bn cubic metres of natural gas a year. More than a quarter of that would go to the Federal Repuhlic.

Under arrangements already in force, the Soviet Union last year supplied West Germany with 10hn cuhic metres, while another 11bn cubic metres went to Italy, Austria and France through the extensive European gas trunkline transmission system. The much higher level of supplies that is now being talked of would require an entirely new pipeline running some 2,800-3,100 miles and the entire project could cost as much as DM 15bn-DM 20bn.

Despite the strained state of relations hetween Moscow and the West following the Soviet invasion of Afghanistan, the Federal Government has shown little aign that it is reluctant to have to rely even more on Russian sources of energy to belp fuel the West German economy. The Bonn Cabinet decided earlier this year that the Soviet share of German gas supplies could be allowed to expand from the present 16 per cent to an ultimate 30 per cent.

The key roles in the deal itself will be played hy two West German companies — Ruhrgas and Mannesmann — together with the Deutsche Bank, the largest hank in the Federal Repuhlic. Ruhrgas, West Germany's leading gas importer and distributor has heen striving over the last few years as a major priority to diversify its natural gas sources, and it has played a leading role in most of the large Contioental gas supply deals.

Mannesmann, on the otber band, is likely to be chiefly responsible for the supply of the large diameter pipes and the compressor stations en route that will pump the gas to the West. Supplementary pipe work could be won by other West German steel and mechanical engineering groups such as Salzgitter and Hoesch. Deutsche Bank appears to bave emerged as the co-ordinator of the DM 20bn credit, heading a financing consortium of more than 20 West German and foreign banks.

One German company, Deutsche BP, has also held separate discussions with Moscow on a similar sort of gas deal, but it appears that it has given np its Independent approach and will eventually be offered a stake in the main consortium. Also in the group negotiating with the Soviet Union from West Germany are Thyssen Gas, Salzgitter and BEB.

The one other country that could emerge as a much larger supplier of natural gas to the Federal Repuhlic in the late 1980s is Norway. Gas has been flowing from the Norwegian sector of the North Sea by pipeline from the Ekofisk group of fields to Emden, in northern Germany, since 1977. Supplies from the Eldfisk, Edda and Albuskjell fields were added in 1979 and by last year gas from the North Sea—chiefly from Norway but also, to a small extent, from Holland—was meeting 15 per cent of German natural gas consumption.

The Norwegian gas deliveries to the Federal Republic amount to some 10bn cubic metres a year at present, but a move is expected in the Norwegian Parliament next year which could make available another 20bn cubic metres a year. A consortium of German gas importers, together with allied companies in the Netherlands, Belgium and France, is pushing for that gas, but thia time they bave competition in the shape of British Gas. The next atage of Norwegian gas development must decide how best to construct a gas gathering pipeline scheme to pick up gas from a number of small fields, but Oslo is yet to say where the pipeline system will come ashore.

Jig-saw

West German gas companies working in close co-operation with other Continental gas operators, have huilt an impressive network of gas distribution trunk lines across Europe; from the Norwegian North Sea to the Mediterranean in one axis, and from the Czechoslovak border to the French Atlantic coast on the other.

The latest part of the jig-saw puzzle that has been fitted into place hy a consortium of Ruhrgas, OMV of Austria and Gaz de France, is an extra line running for some 150 miles across northern Austria from the Czechoslovak horder and then another 400 miles across southern Germany to the French border. Because of its central position in Western Europe, West Germany tends to act as the pivot of the entire system.

Last year natural gas provided some 17 per cent of West Eurepean primary energy consumption. West Germany itself as the single largest customer on the Continent, is still pursuing the hope that last year's gas supplies of 60bn cubic metres, enough to meet 16 per cent of its primary energy needs, can he expanded to more than 83bn cubic metres a year by 1990, enough to meet 18 per cent of primary energy consumption.

At present around 34 per cent of its natural gas consumption comes from its own onshore fields, chiefly in Lower Saxony, but the chances of increasing output there is remote, so all the increase will have to come from higher foreign supplies. If the goal of meeting 18 per cent of primary energy consumption is to be reached, however, there will have to he early agreement with either the USSR or Norway. It will take at least four to five years to develop the gas fields and build the transmission system, so there is little time to spare.

Bonn belies tight-fisted reputation

STATE AID

LESLIE COLITT

WHY DOES the West German Government, hardly an advocate of government intervention in industry, own a large steel and engineering company, a portion of West Germany's biggest industrial group as well as a slice of its leading automobile company? The answer is to be found in recent German history.

During the Second World War a significant part of German heavy industry was run by a Reich holding concern which at war's end was dismantled and split by Allied order into smaller units. One of them, Salzgitter AG, was taken over by the new West German government.

Similarly the Federal Government owns 44 per cent of the Veba energy group, West Germany's largest company with a turnover last year of DM 36.7bn and pre-tax profits of DM 1.5bn. Veba was originally formed as a holding company in 1929 for the Prussian state's industrial enterprises and when Prussia was dissolved by the Allies in 1945 Veba passed into the hands of the West German Government which in the 1960s sold off the largest portion to the public.

Volkswagenwerk AG, of which 20 per cent is owned by the Bonn Government and 20 per cent by the State of Lower Saxony, was until 1945 held by two trusts established by the Reich Labour Front. In 1961, 60 per cent of its shares were sold to the public.

Apart from the expected government monopolies such as railways and posts, the West German Government's holdings include the Saarbergwerke AG, the Viag company and the IVG concern. Altogether the six industrial companies account for DM 3.9bn out of the DM 5.1bn of government share capital in some 90 German enterprises.

Putting things into perspective, though, the total revenues from the companies flowing into government coffers was a modest DM 195.7m in 1979. This was a DM 35m rise over the previous year because of a higher Veba dividend and increased revenues from VW, Deutsche Lufthansa and the Government-controlled company which runs Autobahn concessions. This sum, however, does not include the dividend from *the Government's VW holding* which goes directly to the Volkswagen Foundation.

Unviable

Many of the Government-owned enterprises, such as airports and canals and institutes engaged in research, are commercially unviable. Others, such as the Kreditanstalt für Wiederaufbau, which serves the small- and medium-sized companies, and the Deutsche Pfandbriefanstalt are not permitted to make more than a small profit, if any at all.

In the area of government subsidies to industry, West Germany is not as tight fisted as its reputation nor does it lightly provide aid. Hard pressed West German shipyards are getting Federal and state subsidies of DM 660m which comes out to an average 10 per cent subsidy for each ship ordered in 1979 and 1980. Shipowners are also offered interest-free loans worth 1.5 per cent of the book value of their ships and up to DM 550m in liquidity aid.

One such aided shipbuilder, Howaldtswerke-Deutsche Werft is a 75 per cent subsidiary of the state-owned Salzgitter company, while the state of Schleswig-Holstein holds the remaining share.

Other Federal subsidies include an exemption of the tax on diesel fuel for ships amounting to DM 445m this year. There is also an exemption of DM 350m in taxes on aviation fuel as well as DM 70m in uncollected taxes on oil used by *petroleum processing companies*. Farmers need not pay DM 640m in taxes on the diesel oil they use to run their agricultural machinery.

All told the West German Government is providing industrial subsidies this year worth DM 13.6bn and tax reductions worth DM 13.9bn.

Among the most important West German subsidies are those going to West Berlin and to the area bordering on East Germany. Companies setting up factories in the *so-called zonal* border area, and especially in West Berlin, are assured of West Germany's most generous investment incentives and tax rebates.

Although West German industry has a healthy spread of medium-sized and small-sized companies the trend toward bigness is unmistakable. West Germany's Monopolies Commission says the 100 largest German companies boosted their share of total sales to 24.2 per cent in 1978 compared with 21.7 per cent in 1972. The top six companies accounted for 23.3 per cent of the turnover of the leading 100 companies in 1978, while six years before their share was under 20 per cent.

Law changed

That extremely active anti-trust agency, the West German Cartel Office, in West Berlin, notes that 224 mergers escaped its control last year because they involved large companies taking over small firms with sales of less than DM 50m. In 87 per cent of the cases the large companies had sales of more than DM 1bn. An *amendment this year to the cartel* law should appreciably reduce the number of companies exempted from registering their intent to merge with the Cartel Office.

The amendment stipulates that the West Berlin office can prevent mergers if a company with sales in excess of DM 1bn tries to take over a company with sales of DM 4m or more. Even under the new regulation the Cartel Office must still prove that a "market dominating position" would be achieved or strengthened by the merger.

The Cartel Office says it expects one result of this amendment to be that smaller companies will increasingly be taken over by medium-sized ones and not automatically by the largest as was the case until now. It notes, though, that the invasion by the large companies into areas dominated by medium-sized firms — such as trading houses — will only be stopped if the Cartel Office can prove market domination will result and not merely by applying its criteria for "suspicion" as provided for under the amendment. Plans to merge are nearly always dropped by the companies involved when the Cartel Office tells them of its objection without issuing a formal merger ban.

Among the leading large companies in the past five years involved in takeovers were, in the order of frequency, Veba, Rheinisch-Westfälisches Elektrizitätswerk, Deutsche BP, Deutsche Shell, Hoesch-Estel, Dresdner Bank, Salzgitter, Haniel, Thyssen, Ready Mixed, Ruhrkohle, and Westdeutsche Landesbank.

Although the number of mergers handled by the Cartel Office has increased year by year since merger controls went into force in 1974, other figures show the total number of firms in West Germany has risen from 1.58m in 1974 to 1.66m in 1978. However, a closer look shows that while in manufacturing, the number of companies rose back to the level that existed in 1968, the great majority of newly-founded firms were hotels, pensions and restaurants while the number of small tradespeople, especially shoemakers and clothing store operators, has fallen steadily in the past decade.

Disagreement over the Japanese problem

COMPETITION

LESLIE COLITT

NO SPEECH by leading West German industrialists these days is complete without the Japanese challenge being evoked in order to prod German producers into accelerating their technological efforts as well as to get German workers to moderate their wage demands and to stop dreaming about the 35-hour working week.

Herr Otto Wolff von Amerongen, President of the West German Industry and Trade Federation (DIHT) has said, however, that he is opposed to the Japanese exercising "self restraint" to limit their car exports to West Germany — where they captured 9.9 per cent of car sales in the first eight months of this year. In the long run, he says, this would only impair the ability of the West German car industry to compete internationally as more than half of its own output is exported. The only way to remain strong, Herr Wolff notes, is to plunge into the icy waters of competition instead of being lured by the "protective fence" mentality of others, such as the EEC Commission.

But West Germany's giant metalworkers' union has clashed with this laissez-faire philosophy, calling on the Bonn Government to limit the flood of Japanese cars after they took 15 per cent of all car sales in August. Even Volkswagen's Herr Toni Schmücker, who previously opposed attempts to block Japanese car imports, has warned the Japanese companies not to continue increasing their exports at the present rate and reminding them that they are "vulnerable."

A trade analysis by the Berliner Bank concludes that Japan is now the only serious international competitor against West Germany in the most important sectors of German exports: electrical and mechanical engineering products, cars and trucks, precision instruments and iron and steel products. Chemicals is an outstanding exception where West German companies have maintained their large share of the world market while Japanese firms have failed to rise above a much lower share.

The bank's survey says the "confrontation" between Japan and West Germany on international markets until now has been partly concealed because the rise in Japan's share of world exports of finished goods, which was 14 per cent in 1978, took place while West Germany's share remained constant at 19 per cent. The real loser was the U.S., whose share of world finished goods exports fell from 22 per cent in 1960 to 14 per cent in 1978.

The bank notes that in mechanical engineering, the "flagship" of West German exports, contributing 22.5 per cent of the country's total exports of finished goods, the Japanese assault on the West German market leaders has begun in earnest.

West German industrialists warn that only the best quality products of the highest technological level will allow high-wage German companies to compete successfully against the Japanese. The Berliner Bank report, however, cautions that aiming solely at technical perfection may not be the answer. It notes that *frequently* a good Japanese-made product at a lower price is chosen over a superior German product at a considerably higher price. More goods, it suggests, are needed such as VW's classic Beetle, which although far less sophisticated than other cars for decades none the less provided just what the buyer wanted at the right price.

Every fourth Deutsche Mark of West Germany's gross national product continues to be derived from exports, explaining why the German export boom—which—flattened out in mid-year was once again credited with saving the economy from recession. But despite a 13 per cent rise in exports in the first eight months of this year, the value of imports soared 20 per cent, thus shrinking the trade surplus from DM 16.5bn in the period from January to September last year to a mere DM 4.5bn this year. In August the trade surplus vanished altogether for the first time in 15 years when a deficit of DM 100m was recorded.

Recovery

For the entire year, trade specialists predict a 5 per cent real increase in exports and a 5 per cent real increase in imports compared with a 7 per cent and 9 per cent rise last year. A moderate decline for next year is anticipated in both exports and imports but with a recovery coming in the latter half of the year.

In the first eight months of this year, the current account deficit soared to DM 21.4bn, after DM 6.2bn in the same period last year. A previously estimated DM 25bn current account deficit this year is likely to go the way of an earlier prediction of a DM 20bn deficit. The large excess in West German spending on foreign tourism and the *rising* remittances home by foreign guest workers in West Germany continue to be the largest drains on the invisibles account.

The West German Economics Ministry explains the sharp deterioration in the trade balance by the higher level of import prices over the price of exports, producing a deterioration in West Germany's terms of trade. The main culprit was the price of oil, but it did not lead to anything like the sharp fall in *exports experienced in 1974-75*, which in turn was a major cause of the German recession of that year.

Despite the worrying current account deficit, West Germany's Economics Minister, Count Otto Lambsdorff, has assured his well-travelled countrymen there is no danger that currency regulations will be imposed to curb the outflow of D-Marks.

One benefit derived from rising oil prices has been the revival *of Middle Eastern* demand for West German plant and equipment. In the first half of this year West German exports to the Arab states rose 10.8 per cent to DM 9.2bn, while imports from them, mainly because of soaring oil prices, jumped 66.3 per cent to DM 13.4bn.

Although demand from the oil producers was expected to provide badly needed support for the economy, they take but a modest 6 per cent of West German exports. By contrast nine Western European countries, plus the U.S., absorbed 67.2 per cent of West Germany's exports in the first half of this year while nearly the same countries, this time including Japan but minus Sweden, provided 61.6 per cent of West Germany's imports.

Apart from the car, truck and farm machinery sectors where foreign orders fell some 25 per cent since January, orders from abroad remained remarkably stable until the second quarter of the year. Since then foreign orders have fallen in most industries and in August there was an 8 per cent fall in orders from abroad which was considerably more than the decline in domestic orders.

The German Institute of Economic Research in West Berlin believes that over all there will be no appreciable drop in West German exports in the coming months. Whether an expected *slight* decline *will* stretch into 1981, it notes, depends on economic conditions in the other Western industrial nations, especially the U.S. It says the slow down in imports to adjust to lower West German consumption will continue and that real imports in the second half of this year will show a slight downward trend.

Reinforcement

The sharp increase in import prices has already been reversed and this is expected to produce an improvement in the terms of trade which should be reinforced by lower world raw materials prices. The Institute says the nominal balance of trade surplus should improve in the latter part of this year. However, it forecasts that the continued rise in the invisibles deficit will produce a current account minus this year of no less than DM 28bn.

A number of recent trade analyses show that West German industry's competitiveness, unlike the 1974-75 period when the D-mark was revalued upward, has not suffered in recent years. With inflation in the other major industrial countries running at about 10 per cent or double the West German rate, costs will continue to rise faster abroad than in West Germany. The day may not be far off when West German-made goods will be regarded as reasonable in price compared with West Germany's inflation-ridden competitors.

Bankers wonder if days of rapid growth are over

BANKING

STUART FLEMING

"HAVE THE fat years gone?" read the front page beadline in West Germany's leading weekly news magazine "Der Spiegel" a few weeks ago. The question is one wbich is preoccupying many Germans, disturbed by wbat they fear may be emerging *evidence of a long-term* deterioration in their country's economic performance.

After their experiences over the past two years many West German bankers are beginning to ask themseives the same question.

That the years of the West German "Wirtscbaftswunder" have been fat ones for bankers as well as for the population at large is not in dispute. In the 1950s and 1960s bealthy profits were to be earned financing industrial expansioo and then the expanding sales of consumer goods. In the 1970s came the dramatic expansion of many of tha banks' overseas operations, growth which at first added further lustre to the banks' profits.

In the past two years, however, many West German banks, particularly the commercial banks, have been suffering a steady, and increasingly disturbing erosion in their profitability. Some bankers including Dr. Wilfried Guth, co-spokesman at Deutsche Bank, are beginning to ask themselves wbether they must now reconcile themselves to slower growth in the 1980s.

That is not a particularly cheerful prospect, particularly for the big international banks wbo must take into account wbat impact such a period of slower growth could have on their competitive position with their multi-netional rivals in the U.S., Jepan and the UK.

And, significantly, it bas beeo the big international banks (with the outstanding excention of Deutsche Bank) which bave been suffering some of the sharpest profit declines. Partly, because of their different liability structure, co-operative banks and finance houses, have so far been surviving the difficult conditions with less trouble.

A recent study of the profitebility of the West German banking industry in 1979 carried oot by the Bundesbank, the nation'e Central Bank, highligbted these divergent trends. It also added a few caustic comments about some of tha business policies which certain banks edopted.

Broadly speaking the picture it presented was of a decline of around 4 per cent in the operating profits of the banking industry as e whole, but declines of 10 per cent and 13 per cent respectively for the big commercial banks and the privete banks. In contrast, the credit co-operatives increased their operating profits by 20 per cent and the instalment sales financing institutions by 7 per cent.

Within these overall figures, of course, there bave been divergent trends. Deutsche Bank, the biggest of the commercial banks, achieved an 8.9 per cent rise in operating profits in 1979, while some of its major rivals reported significant profit declines.

In the first six months of 1980 the pressure on the commercial banks' profitability continued and in some cases intensified to the extent thet it has sparked speculation in some Frankfurt banking circles about the possibility that some of tha banks mey begin to look for economies through staff reductions. Rising labour and administration costs were identified by the Bundesbank as a key factor contributing to the pressure on banking profitability.

To some extent the pressure on the profits of the big banks is a reflection of the sharp decline in interest margins on international loans, a decline which bas affected all the international banks to a greater or lesser extent and which, in the case of the German banks, has weakened one of the supports for the earlier growth of profits.

Undermined

But of greatest significance in both the sbort and the long term bas been the, by German standards, remarkable rise in interest rates for this has undermined the long-established liability management and contractual lending policies of some of the banks. These policies were based on what has proved to be too ready an assumption of relative stability in interest rates and in the margin between the officially establisbed Discount and Lombard rates at the Bundesbank and the rates which the banks charge for loans.

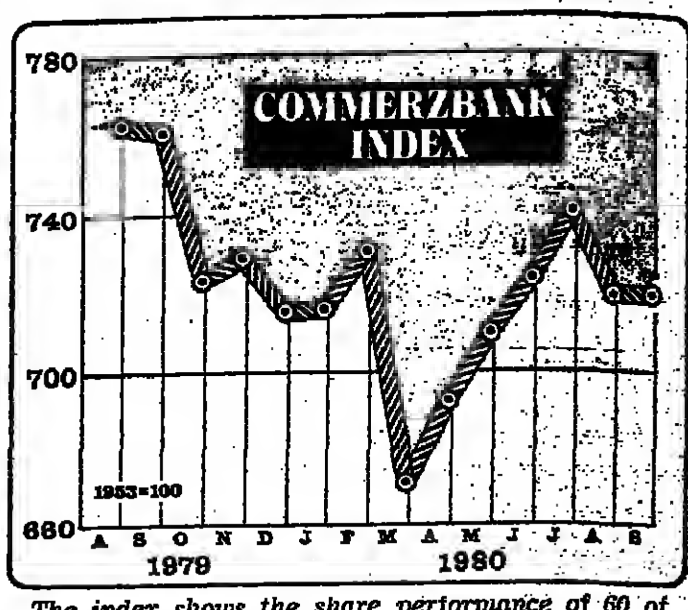
Put simply, the commerciel and private banks bave been caught out by shifts in tha Bundesbank'e monetary policy, shifts which have msde it more risky for the banks to make medium-term loans at fixed rates at a time when the cost of funds to finance these loans has risen sharply. In aome cases it seems the banks compounded their problems in this respect by assuming that it would not be long before German interest rates fell and the old relationships re-established themselves.

Thus, at one point in its examination of profitability trends in the industry in 1979, the Bundesbank comments: "Acting in accordance with the maxim 'expansion is more important than profit' they (the banks) seem in some cases to have preferred to accept s narrowing of the interest rate margin rather than forego a transaction and thus possibly lose e customer." For their part the banks' dismay at the evolution of events is amply illustrated by the comment of Commerzbank in its annual report that: "What wa should like to see during future tightrein periods, bowever, are earlier and more indicative changes in key interest rates to provide the signals without which e convincing monetary policy is inconcievable."

The problem for the banks now of course is that they can no longer be sure to whet extent the traditional relationships will reassert themselves for so much is changing. They might normally expect that in a period of economic slowdown such as the West German economy seems to be beaded for, interest rates would ease back quite quickly. It is already clear that this is not bappening as quickly as in the past and there must be serious doubts about wbether the easing of interest rates which the Bundesbank encouraged in September can be carried as far as might bave been the case in previous economic downturns.

While a further loosening of monetary restrictione is expected, interest rates may be less if, ss many observers anticipate, balance of payments problems create more persistent challenges for the Bundesbank in managing the performance of the Deutsche Mark on the foreign exchanges. The continuing high interest rate regime in the U.S., the feilure of that country seriously to come to grips with its inflationary difficulties and the influence this has on the foreign exchange markets may also inhibit the Bundesbanks' freedom to manoeuvre. It is this perception which belps to account for European unease about the Federal Resarva Board's bandling of monetary policy.

It is when they look at these longer term prospects, the difficulties in the international leading markets, the worrying change which could be taking place in Germany's own economic position and the internal competition in their home market, that West Germany's banks being to ask themselves whether the 1980s will indeed be a much more difficult decade and what new policies they must pursue to overcome these problems.



The index shows the share performance of 60 of Germany's leading companies

Man of innovation and influence

Stuart Fleming profiles Dr Wilfried Guth, joint chief executive of Deutsche Bank, who plays a prominent role in creating world banking policy.

WHEN THE bankers attending the International Monetary Fund annual meeting in Washington this month chose Dr. Wilfried Guth, the 61-year-old co-spokesman of the Deutsche Bank, as the most innovative European banker of the year, it underscored the growing influence of Dr. Guth on the thinking of his peers outside West Germany.

But the significance of the prominence Dr. Cuth bas achieved among his banking colleagues is only part of the story. In today's world the influence exercised by s chief executive of a major bank can stretch well beyond the boundaries of the financial markets. For the scope of a bank chief executive's business interests has been vastly expanded as the banks themselves have, since 1973, begun to play an even larger role in the financing of countries, and not just of the people and businesses in them.

The banks are well aware of the advantages of baving a top executive who commands international prestige. Snch a man, wbo can deal successfully in the Chancelleries and Finance Ministeries of the world as well as in its banking parlours, is an asset which translates into bigger profits and more business; it is an added bonus if he bas the diplomatic skills needed to exercise a leadership role in public.

From bis background, Dr. Cuth clearly bas the range of experience for the prominent role be is playing in the emerging debete over how best to tackle the challenges facing the banking industry in a world full of financial tensions. At present Dr. Cuth is, in effect, joint Chief Executive of the Deutsche Bank, Germany'e largest bank, sharing the role with Dr. F. Wilbelm Christians. He did not join the bank until 1968. Before that he had been the Executive Director of the International Monetary Fund for the Federal Republic and, from 1962 to 1967 s member of the Board of managing directors of the Reconstruction Loan Corporation, the agency responsible for administering Marshall Plan funds in Germany.

Dr. Guth began his banking career at Germany's central bank, the Bundesbank, where be beaded the research department. At ona stage last year it seemed a strong possibility that be might be nominated as the successor to Dr. Otmar Emminger, the Bundesbank president who retired at the end of 1979.

Leading role

The selection of Dr. Guth in the poll among his peers at the IMF, must inevitably be seen as partly the result of some of the ideas he has floated for dealing with the risks associated with recycling the protracted OPEC surpluses, anticipated as a result of the surge in oil prices in the past two years.

The banks played the leading role in the wake of the first "oil shock" in 1973-74, financing the oil-induced deficits of developed and developing countries. It is in part the result of this (highly-profitable) expansion that top bankers bave been forced to take into consideration broader issues than merely the creditworthiness of a borrower wben making lending decisions.

For, in the context of lending to countries, "creditworthiness" often comes down to a question of political risk and that can be infinenced not only by the decision on wbether to lend or not, but also by the economic and political forces st work in the world. Decisions to lend money in, say, Poland, Yugoslavia or Turkey clearly raise broader issues than what rate of interest to charge.

While the bankers were happy enough to play a leading role recycling surplus funds from the first oil shock many of them, including Dr. Cuth, bave been making it clear tbat the risks are now too bigh for the banks to undertake such s predominant role again, at least in so far as lending to the oil importing developing countries is concerned.

If efforts to spread the burden are successful then the internetional agencies such as the International Monetary Fund and the World Bank and tha West hopes) the OPEC surplus countries will begin to play a bigger role. Such a development clearly impinges directly on tha interests of the banks. The terms on which such lending is made available, in what circumstances and to which countries, are issues wbich will directly affect the risks and profits the banks are already running in some countries.

It is for these reasons that Dr. Guth, for example, sees the need for closer co-operation between the banks themselves as well as between the banks and the other prospective lenders, the IMF in particular. He is well aware that the banks' own freedom of action could be constricted by the circumstances in which such co-operation is undertaken, but already Deutsche Bank itself has been making special efforts to meet and discuss such issues with the top executives of other major banks.

It is against this background of the need for co-operation that perhaps the most controversial idea Dr. Gnth bas floated needs tn be set. At e gathering of top bankers in New Orleans this year he suggested that the world's leading banks ought to consider setting up some form of joint support system to deal with crises which might threaten the world's financial system ss e result of an important bank getting into financial difficulties for one reason or another.

Hitberto, perhaps because of their size, their initial dominance in international markets, and the lesding role which U.S. foreign policy played, it has tended to be one or two American bankers who have made the running in public in the debate over banking issues of this breadth. The emergence of Dr. Cuth, a European banker prepared to take the risks associated with playing a leading role addressing some of (the West bopes) the OPEC as private, takes on an added significance in this context. But, as he himself points out, a banker must not forget that in the end it is the interests of his bank which he must serve, so it is important not to lose touch with the dey-to-day business issues which his bank must face.

Dr. Guth: Banks must co-operate

Current account deficit presents policy problem

THE BUNDESBANK

STUART FLEMING

WITH A self-assurance which has become its hallmark the Bundesbank, the West German Central Bank, has over the past two years successfully steered a course through the unpredictable changes which have been sweeping both the international financial markets and the German domestic economy.

Its performance has at times stood in stark contrast to the all too public difficulties which the Federal Reserve Board in Washington has had in negotiating similar treacherous shoals. The contrast is an easy one to make and, put so baldly, unfair. Unlike the U.S. Central Bank, the Bundesbank does not have to contend with a political establishment (or a population) which seems too often to pay merely lip service to the fight against inflation while simultaneously fanning the nation's inflationary psychology—for example, in artificially stimulating a housing market which was already seething with inflationary expectations.

Again, unlike the Fed, the Bundesbank has not been faced with the surges in the domestic inflation rate which threatened to overwhelm the U.S., or with the rapid changes in an already more flexible financial system which has forced the Fed to wage a constant battle to keep abreast of innovation in the financial markets.

Having established that the problems the Washington Fed has had to deal with—political and economic, national and international—have presented a more formidable challenge to U.S. policymaking than simple comparisons allow, it remains that, as in Washington so in Frankfurt, some fundamental adjustments have had to be made in Central Bank policy. That the changes in Frankfurt have attracted rather less attention owes something to a more pragmatic hand that has appeared to be holding the tiller.

It is interesting to note here that the continuity which has characterised Bundesbank policy through this period came, even though leadership of the Central Bank passed out of the hands of Dr. Otmar Emminger. Dr. Emminger retired at the end of 1979 to be succeeded as head of the Bundesbank by Karl Otto Pohl, a man whose political and journalistic background has had something to do with the evident flexibility with which the Bundesbank has been operating.

Having said that, however, it should be remembered that the shift in German domestic monetary policy in the direction of what the Bundesbank, rather bravely in view of the experience in other countries, likes to call "fine tuning" began to come into effect under Dr. Emminger. This "fine tuning" of monetary policy has had a variety of manifestations but conceptually it has amounted to a greater distinction being made between monetary policy techniques aimed at curbing or enhancing the liquidity of the banking system and those aimed more directly at affecting interest rates.

Privilege

That the Bundesbank has been able to ride both of these horses at the same time at least to some extent, to tighten or ease liquidity without having to make fully compensating adjustments in administering interest rates, is a privilege it has enjoyed in part as a result of the greater rigidity in the German financial system and in part because of public confidence that, by German standards, a worrying surge in the domestic inflation rate would not be allowed to get out of hand. The banking system, however, has already begun to adjust to some of the implications of the Central Bank's fine tuning policy which may mean that its days are already numbered.

The additional flexibility the Bundesbank has had as a result of fine tuning through such operations as repurchase agreements (used for the first time last year), foreign currency swaps with the banks and quotas on Lombard credit, for example, dealing with financial markets which have been shunted off course by unexpected developments, particularly overseas.

Abrupt changes in the direction of currency flows in response to, for example, the wide swings of interest rates in the U.S., sudden changes in the foreign exchange markets' assessments of the key dollar/Deutsche Mark exchange rate and some fundamental changes in the German economy itself are the most obvious challenges which the Bundesbank has found it easier to cope with by using its fine tuning instruments.

In the past months the fine tuning has been in evidence as the Central Bank has resisted demands for sharper reductions in its key Lombard rate beyond the half percentage point cut to 9 per cent in September, but at the same time to ease the liquidity in the banking system party because of growing concern about the impact of too strict a monetary policy on the economy. By most assessments, the German economy began to weaken in the second quarter of this year and is now headed for a period of, at best, sluggish growth and perhaps even recession.

The Central Bank has not wanted to pursue too strict a monetary policy in view of the weakness of the domestic economy. On the other hand it has felt that its flexibility in encouraging a downward drift in short-term rates has been limited by the renewed surge in U.S. interest rates where the Prime has again risen to the 13½ per cent-14 per cent range. Against this background it is feared that too sharp a drop in German rates could stimulate a renewed outflow of currency and threaten the Deutsche Mark on the foreign exchanges.

Complication

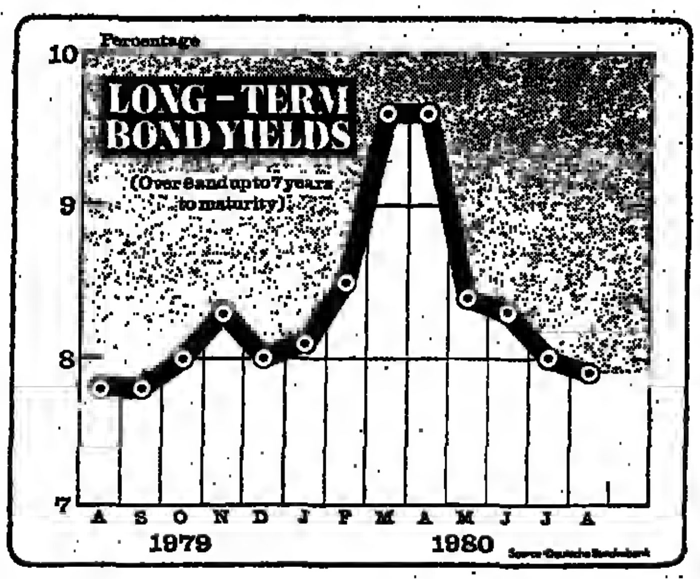
It is in this area that the Bundesbank today faces a rather more difficult policy problem. The movement of the German current account into substantial deficit—a deficit as large proportionately as any the U.S. has run in recent years—presents the West German Central Bank with some new policy problems. The financing of this deficit will complicate the Bundesbank's policymaking. Ensuring that the Deutsche Mark does not become another chronically weak currency, however unlikely that may seem, is another. While German exports have remained strong the possibility has to be reckoned with that West Germany will find it difficult to get its current account into the black.

How the balance will be struck between the benefit which a steady (rather than a rising) Deutsche Mark might have on helping exports, and the greater difficulty Germany will have in such circumstances in avoiding importing inflation, is clearly of crucial importance. Political measures promises to be all the support for tough anti-inflation more necessary in the years immediately ahead. Fortunately there is no sign that the support will be lacking or that the Central Bank will be slow to call upon it in order to get inflation under control.

Strong rally by long term bond market

STOCK MARKET

STUART FLEMING



...E PERFORMANCE of the ...d and equity markets in ...t Germany over the past ... again been dominated by monetary policy of the ...idesbank, the West German ...ral bank.

...hrough much of the period further tightening of ...etary policy aimed at curb... inflation and coping with ...urbing shifts in capital flows a result of changing international circumstances, in particular U.S. monetary developments, presented the nations ...ck and bond markets with formidable challenges. Since May, however, the long-term bond market has rallied strongly, reversing the sharp upward movement in bond yields which took place in the opening months of the year.

The rally in the equity market has been much less convincing, however, and there is little evidence to suggest that German investors are about to give up their preference for fixed income securities. Earlier this year, in March, the Commerzbank index sank to its lowest level since 1975, hitting 667.6. The recovery since then has taken the index back to the 740 ...a.

Dramatic fall

During the second half of '79 short-term money market ...lds had begun to move above ... long-term bond yield, the ...ter had stuck around the ... per cent mark peaking for ... year at 8.4 per cent in ...vember. By the middle of April this year money market yields had moved above 10 per cent and the long-term bond yield to 9.6 per cent, producing, by German standards, a dramatic fall in bond prices.

Significantly, this rise in yields meant that at no point in the current cycle have bond yields fallen below the officially measured rate of increase in consumer prices which, on a year-on-year basis, appears to have peaked in May at 6 per cent. One says officially measured since there is, among ... men, and more especially ... German women in the ...ect, considerable scepticism about whether official statistics reflect fully the prices which they are having to pay.

Whatever satisfaction bond investors could draw from their real rate of return, however, has to be set against the capital losses they suffered until April. The significance of this may lie in part in the fact that amongst those investors who had to watch the value of their investments slump were thousands of individual investors. In 1979, the tightening Bundesbank monetary policy had virtually driven the banks from the bond market.

Thus the Deutsche Bank dubbed 1979's bond market performance as the "year of the private investor." The banks, who in the previous four years had taken up around 50 per cent of the bond markets net sales, took only 8 per cent, while private investors took around three-quarters. The Bundesbank put households investment in bonds in 1979 at around DM 30bn, three times the amount of the previous year. Some of these investors will have learnt that fixed interest securities can be as volatile as ordinary shares.

These developments in the German stock and bond markets are in some respects rather similar to what has been happening in other nations' financial markets. Even though Germany has not suffered the same inflationary problems as, say, the United States or the United Kingdom, investors, including private investors, have been turning to the fixed income and bond markets and away from the equity market. The bond market has been playing a steadily increasing role as an investment medium.

Some investment managers maintain that the increasing orientation of investors towards income rather than capital gains producing investments reflects the relatively poor profits performance of many companies. There are, as one investment manager put it, only a handful of growth companies in the German economy. Moreover at a time when the economy is more volatile some of the nation's biggest concerns operate in highly cyclical industries such as chemicals, pharmaceuticals, capital goods and automobiles.

The past decade has seen a steady decline in the earnings multiples at which the shares of many major corporations sell, from around 15 times to nearer seven or eight times. Indicative of the investors' preference for income, those among these corporations which have low dividend yields and payout ratios have been under pressure to improve dividend payments.

But at a time when there is concern about the level of profitability of corporations, and when equity capital is so expensive, interest in ordinary share investment has been further dampened by unease over what some investment managers fear has been an erosion in the ability of companies to maintain their equity base and finance investment.

Latterly, investors in ordinary shares have also had to concern themselves about the evidence that a cyclical downturn in economic activity began in the second quarter.

Encouragement

In contrast, the bond markets have been encouraged since April by the initial easing of unprecedented U.S. interest rates, signs that inflation is slowing, and the cautious easing of monetary policy by the Bundesbank which lowered its Lombard rate from 9.5 per cent to 9.0 per cent in mid-September after earlier, more cautious steps to relax policy.

But investors are sensitive to the problems the authorities have in easing rates at a time when U.S. interest rates have begun to rise again, and when the nation has to be concerned about financing its balance of payments deficit and guard against the danger of an outflow of capital. Thus there are doubts about the extent to which bond prices can rise further after the strong rally they have seen since April which has taken the average yield down to the 8 per cent level.

Flexibility in the face of challenge

MECHANICAL ENGINEERING

JONATHAN CARR

THE mechanical engineering industry has long been—and is likely to remain—one of the cornerstones of West Germany's economic success. Indeed, there are signs that this sector in the 1980s will have a chance to do even better than it did in the second half of the 1970s. Can it grasp the opportunity, and what are the accompanying problems?

An attempted forecast first requires some definitions and a brief look st the industry's progress to date. The sector, composed very largely of small- and medium - sized enterprises, employs more than 14 per cent of the country's industrial workers, sccounts for 11 per cent of its total turnover and no less than 18 per cent of its foreign sales. As the accompanying table shows, the mechanical engineering sector last year exported goods worth DM 56.4bn—that was 56 per cent of production—against an export share of 46.8 per cent st the start of the decade.

Put another way. West Germany's exports of mechanical engineering products exceeded its imports of these goods last year by DM 37bn. The importance for Germany's overall visible trads surplus—which totalled DM 22bn last year—thus hardly needs underlining. Nor is it surprising that West Germany retains its position as the biggest exporter of engineering goods in the Western world, despite strong and increasing competition from the Japanese in particular.

How do the Germans manage it? Herr Tyll Necker, Vice-President of the industry's National Association, naturally gives a highly positive explanation, but few who have studied the industry will be inclined to disagree with him. He says, "the German mechanical engineering industry lives from the quality of its products, its top technology and inventiveness, its progressive management and its reliability in fulfilling contracts."

It is worth adding that this sector—with its wide diversification from machine tools, office and information products to industrial plant and building equipment—also shares especially heavily in any general domestic sconomic upturn. For example, in 1978 more than 40 per cent of total West German investment in plant and equipmeot went to the mechanical engineering sector. Followed, in secood place, by the electrical engineering industry (22 per cent). It is, of course, also true that the sector is peculiarly sensitive to a downturn and that its export success bas often served as a welcome balance to declining domestic demand.

That has partly been the story so far this year. In ths first eight months, the value of engineering exports increased in real terms against January-August 1979 by 7.5 per cent — markedly faster than the rise ln domestic ssles. Mainly responsible for this result was s boost in real terms of 10 per cent in exports to other Western European countries, wbicb have clearly been increasing their investment in new engineering products despite a gradual economic downturn and the high cost of credit.

Simultaneously, engineering imports rose in the first elght months by 14.1 per cent. Despite this high rate of increase the difference in the base figure for measurement of export and import growth is such that the Germans are once again heading this year for a record surplus on their engineeing trade.

The orders position si less encouraging. In the first eight months domestic orders increased by 4 per cent in real terms against the same period of 1979, while foreign orders were np by 6 per cent. However, that foreign figure includes a downturn from June to August of 2 per cent — a taste of harder times to come.

At home, the test of the business climate in manufacturing industry carried out by the IFO Economic Institute of Munich showed an increase in pessimism in the late summer. The high cost of credit, unfulfilled sales expectations and sinking profit-turnover ratios are making companies less ready to invest, and the mechanical engineering sector will be among the first to hear the brunt.

However, there are two reasons for hope thst the coming recession will not be either as severe or long-lasting as that in the mid-1970s. For one thing, there are many who believe that *the U.S. may be emerging from* its recession at the turn of the year (and in 1979 West Germany sold the U.S. alone DM 4bn-worth of engineering products, making it the third biggest overseas market). Further, at home it is expected that ths need for new investment to help master the energy crisis will prove so strong that this will continue to provide a backbone of demand throughout the general economic downturn.

Divergence

One result of this is likely to be an increasing divergence in the business position of individual branches within the whole mechanical engineering sector. Companies building construction and agricultural machinery, for example, may well suffer a business downturn in 1981, while those directly involved in energy investment may continue to do well.

What of the longer-term prospects? First, some of the problems, which are rather less apparent *to non-Germans than are* the impressive export figures. Despite its very high use of capacity in 1979 (86.2 per cent at midyear), the mechanical engineering sector could only register a net profit-sales ratio of 1.92 per cent. This is clearly less than the ratio achieved in other major German industrial sectors—including vehicle construction, chemicals and electricals—and far less than that considered normal for many foreign competitors.

This weakness in earnings is linked to another problem which affects most parts of West German industry but the mechanical engineering sector in particular. This is the relatively high level of borrowed funds of the German enterprise by comparison with a British or U.S. counterpart. It implies continuing high interest payments even when business is poor, and that is especially hard for small- or medium-sized businesses to sustain—just the kind of concerns which form the backbone of the *mechanical engineering* sector.

Finally, this sector—at least as much as any other and more than most—depends on a continuous inflow of new, highly skilled and inventive management and labour. But figures from the German Institutes of Higher Education suggest that the engineering profession may have lost its drawing power for students, at least for a time.

All that said, it is worth *emphasising that almost* all the challenges facing this sector in the past have simply spurred it to renewed efforts and continuing success. For example, the high-flying Deutsche Mark which some felt might cause German engineering products to price themselves out of world markets, forced manufacturers to still greater technical development and delivery relisbility. Foreign markets were not held without pressure on profits but they were maintained nonetheless, and can be extended.

Looking ahead, West German industry is expecting an annual average increase in sales of more than 3 per cent, and an investment quota (as a percentage of sales) of more than 4 per cent.

It is sometimes suggested that only the largest enterprises can draw full benefit from the increasing pressure to research and innovation, and that the smaller companies will come off very much aecond best in the 1980s. But studies carried out by the IFO Institute confirm what may be suspected. Medium-sized companies can clearly not match the research input of the big concerns, but they tend often to be quicker in putting the results of their research to practical work to gain sales success. Further innovation in the production process—particularly developments in micro-electronics—is helping remove some of those disadvantages of scale which the smaller concerns have so far faced. Flexibility is the key word, and it remains one which fits the German mechanical engineering sector very well.

MECHANICAL ENGINEERING INDUSTRY

	1970	1978	1979
Labour Force (Millions)	1.2	1.1	1.1
Enterprises ('000s)	6,542	7,839	7,808
Production (Dm bn)	57.1	93.3	100.6
Turnover (Dm bn)	60.9	97.4	103.6
Exports (Dm bn)	26-7	54.2	56-4
As % of production	46.8	58.1	56.0
Imports (Dm bn)	8.6	16.4	19.1
As % of home supply	22.1	29.5	30.1
Gross fixed asset investment (Dm bn)	3.8	4.4	5.1
As % of turnover	5.8	3.9	4.3

Healthy performance, but not immune from trouble

ELECTRONICS

KEVIN DONE

THE ELECTRICAL and electronics industry has yet to be as bard-hit as other sectors of German industry, such as motor vehicles production or cbemicals, by the general slowdown in domestic economy, but recently the slower psce of new orders it has received shows thst it too cannot remain immune from the effects of world-wide recession.

Cbanges in the fortunes of the electrical industry usually trail about six months behind the movement in other major sectors, because of its place towards tbe end of the production pipeline, but most companies would probably have expected to have benefited to s greater extent this year from the Federal Public's economic boom last year and in the first three months of 1980.

In 1979 output i the sector grew by some 3.5 per cent in real terms, a disappointing result given the average 5.4 per cent expansion across the whole of manufacturing industry. Although th electrical industry is expecting to do rather better than the average this year major companies such as Siemens and AEG, have already sounded the warning that the recovery of the first six months of 1980 cannot be expected to last.

The rate st which new orders have been flowing in has dropped behind the expansion of sales and production in recent months, which inevitably means that the expansion of sctivity in the sector, one of the most important brancbes in German industry, will have started to fall by the end of the year. New orders for the whole of the electrical and electronics industry were up by some 7.8 per cent in the first months of 1980 compared with a rise of 10.9 per cent in the sector's turnover.

Last year while the value of new orders for electrical capital goods—boosted by the high level of investment spending by German manufacturing industry—rose by some 15 per cent, demand for consumer goods actually declined by around 3 per cent. Important segments of the consumer market are giving clear signs that the saturation point has nearly been reached, and manufacturers are having to pay increasing attention to innovating new products and to developing the replacement market.

Despite this general trend, bowever, electrical consumer goods manufacturers have enjoyed a small recovery in the first balf of 1980 with the valne of new orders rising by 3.7 per cent to DM 11.1bn compared with a marginal decline of 0.2 per cent to DM 10.7bn in the same period of 1979. More lively demand abroad, particularly for household appliances, accounted for most of the improvement, bnt there was also a small nominal increase in the new orders taken in the domestic market.

Increase

Snpported by the cushion of new orders built up last year, sales of the electrical industry moved ahead strongly in the first balf of 1980 by 11.2 per cent to DM 51.6bn compared with a rise of only 4 per cent in the first half of 1979. This year, according to the latest figures from the West German Electrical Industry Federation, exports have jumped by 14.4 per cent to DM 16.2bn in tbe first six months while domestic sales bsve increased by 9.9 per cent to DM 35.4bn.

The stronger performance of the electrical sector in tbe first half is also shown by the rise of some 9.3 per cent in the industry's production, which has meant that employment too has risen slightly by 1.6 per cent to some 998,000. In terms of the size of the sector's workforce electrical and electronics groups are the second biggest employers in the Federal Republic, after mechanical engineering. The recovery in the industry's fortunes means thst since the summer of 1979 the number of jobs in the electrical industry bas started to rise again slowly after s decline that lasted several years.

Ominously, however, this trend could be short lived, as the level of capscity st which electrical companies are operating scross the industry has started to slip, falling from s peak of 85 per cent in Marcb to 80.5 per cent by the end of June. It is again the weaknesses of consumer electrical and electronics products which are most exposed to tbe challenge of *imports, particularly from* the Far East, that is undermining plant operating levels. In the capital goods sector companies were still working at around 84.3 per cent of cspacity by the middle of the year, and new jobs are still being created in fast-growing areas such as computers and data processing.

For some time the most successful areas of the German electrical industry have been the manufacture of telecommu*nications and measuring* and control equipment, which even in the second quarter of the year reported production increases of as much as 15.7 per cent and 12.8 per cent respectively. Prodoction in the computer products area also climbed by 9 per cent in the second quarter, but activity in the area of power generation equipment appears to have reached its peak.

Whatever its problems in specific sectors, the West German electrical and electronics industry is still a major powerhouse of the economy and will provide one of the keys to the Federal Republic, raising its overall level of exports in order to cut back the massive deficit on the current account of the balance of payments. In 1979 it accounted for 18.6 per cent of free world electrical and electronics exports—with a value of DM 35.2bn—second only to the U.S., wbich took 21.3 per cent of international trade in this sector.

Last year the Federal Republic was still bolding a slight lead over Japan (17.8 per cent) in the export of electrical goods and equipment and its share of world markets in this sector waa more than twice as large as that gained by France (8.9 per cent) and the UK (7.5 per cent). German electrical manufacturers' main markets are found in the neighbouring countries of Western Europe—46.2 per cent of exports went to other member states of the European Community and a further 18.6 per cent to EFTA (European Free Trade Area) members — while only a tiny penetration of the Japanese market has heen achieved with less than 1 per cent of West German electrical exports going to Japan.

As with last year imports to the German market are still growing faster in 1980 than exports, and here Japan is insvitably playing a major role, particularly in some sensitive areas of consumer electronics which have been virtually taken over by imports from the Far East. Japan accounted for 10.3 per cent of electrical and electronics imports to the Federal Republic last year with a value of DM 2.3bn, against West German exports to Japan in this sector of DM 316m.

At a company level the development of the West German electrical and electronics sector has been marked in receot years by the wide disparity in the performance of the two biggest groups in the industry, Siemens and AEG-Telefunken.

Siemens has had its setbacks, chiefly brought about by the slump in power station building in Germany and elsewhere which has hit its important subsidiary Kraftwerk Union, but it has still grown strongly against fierce world competition. It is the fifth largest electrical group *in the world* and is expandiog quickly its activities in the U.S., the world's most important market for electrical goods and equipment. Even its nuclear power station building activities have received a major boost this year with final agreement being reached with Argentina for the construction of the DM 1.5bn Atucha II power station.

Exhausted

By contrast, AEG-Telefunken was brought close to collapse last year after years of losses had virtually exhausted its financial reserves. Fighting against time the group was given bope for the future by a msssive financial re-structur*ing which involved the pumping* in of nearly DM 1bn of new capital by its shareholders (wbich now comprise virtually all the major banks in West Germany) along with further financial support from insurance groups snd major West German industrial concerns.

The AEG rescue was an extraordinary example of the readiness of the private sector in Germany to pool its resources in supporting one of its ailing members. It was also a ma[illegible] demonstration of the power of the big banks in the Fede[illegible] Republic to take the leading r[illegible] in the formulation and pract[illegible] of German industrial strate[illegible]

This year, however, under new chairman, Herr He[illegible] Duerr, the gronp bas appea[illegible] to make some progress towa[illegible] a return to profitability in 19[illegible] although losses this year co[illegible] still be as high as DM 20[illegible]

Major problems are s[illegible] abead of AEG, particularly foreign markets where urgently needs to increase local manufacturing presen[illegible] But the greatest qnestion ma[illegible] banging over its future mnst whether its recovery will halted, almost before it bas [illegible] the ground, by the grow[illegible] recession in West Germany [illegible] elsewhere. In its still weaken[illegible] state it is far from being w[illegible] prepared to live through a p[illegible] longed decline in demand [illegible] electrical and electronics go[illegible] in its domestic and fore[illegible] markets.

Falling production expected to give way to growth

CHEMICALS

KEVIN DONE

THE SUMMER months have been unhappy ones for the West German chemicals industry as it has been overtaken by the recession hitting some of its most important markets. Falling sales and production have begun to bite deeply into profitability, output at some plants has sunk to such a level that several thousand workers are being put on to short-time and senior company executives are profoundly uncertain about the industry's immediate prospects.

After enjoying a record year in 1979, the West German chemicals industry, the largest in Western Europe and the biggest chemicals exporter in the world, had in any case been expecting only modest growth in 1980. After expanding production by 5.6 per cent in 1979 and 5 per cent in real terms in 1978, chemicals manufacturers had set their sights more cautiously this year on real growth of around 2 per cent, but even this target looks like proving over-optimistic.

Preoccupied

The volume of production will show a steeper fall as the size of the industry's turnover has been inflated by the higher prices imposed for many products in the wake of the dramatic surge in the cost of energy and oil-based feedstocks. Chemicals producers have become increasingly preoccupied with the problems of passing on the rapidly rising costs of raw materials to their customers especially as they see little chance even in the long-term of switching significantly to other feedstocks.

With the slump in demand in recent months from important customer sectors, such as the automobile, building and textiles industries, however, the most immediate goal has been to try to hold current price levels and to stop the price erosion caused by the fierce international competition in a shrinking market.

The sectors that have been hardest hit are precisely those which last year showed the strongest growth, product areas that are highly dependent on oil as a feedstock and where customers have now chosen to draw down stocks rather than place new orders.

The recession has therefore chiefly hit organic chemicals, and especially plastics and fibres, dyestuffs and dyestuffs raw materials. Production of organic industrial chemicals, after rising in the first three months of the year, suddenly went into steep decline with falls of between 10 and nearly 17 per cent in the four months from April to July.

The fall is made to look particularly sharp because last year the chemicals industry enjoyed something of a freak year in which the normal seasonal dip in demand in the summer months did not occur. What chemicals executives are now asking themselves is whether this autumn the industry can pull out of the summer trough or whether the recession is going to deepen further.

Preliminary estimates from some of the sector's biggest concerns suggest that September has indeed proved better than expected; sales were only around last year's level, but at least the rot had been halted. Other companies are not so optimistic and are still not expecting much of a turn round until perhaps the second quarter of next year.

The fall in demand has had a drastic effect on the operating levels of some of the industry's plant. Hoechst, the second largest chemicals group in West Germany has seen operations at its plants in the Federal Republic fall from 85 per cent of capacity in the first quarter to 80 per cent in the second quarter, and then to an average of only 65 per cent in the third quarter.

Some plants, particularly in the dyestuffs sector, have been working at levels as low as only 50 per cent of capacity and it is here that Hoechst has been forced to introduce short-time working for nearly 3,000 employees.

Bayer, another of the "big three" West German chemicals groups, has found itself similarly hard-pressed and has also put several thousand employees on to short-time working.

Whatever the pessimism about the short-term outlook, however, the chemicals industry is still confident that it can look forward to growth rates in the 1980s that will be above the average expansion of the German economy although it will no longer be able to outstrip the growth rates of most other industrial sectors by the confident margin it did in the 1960s and 1970s. Most company planners appear to be building an average real growth of around 4 per cent a year for chemicals production into their strategies for the 1980s.

The German chemicals industry may not employ as many people—just under 550,000—as the other major industrial sectors, motor vehicle manufacture, mechanical engineering and the electrical and electronics industry, but it does rival them in terms of its annual turnover and it has certainly been the most aggressive in the post-war years in its drive for international expansion.

Last year the "big three" companies, BASF, Hoechst and Bayer—the offspring of the pre-war German chemicals giant IG Farben—were the three largest chemicals groups in the world in terms of sales, outstripping even international rivals of the stature of Du Pont and Dow of the U.S. and ICI of the UK.

Bayer, perhaps the most internationally-minded of them all, derives as much as 70 per cent of its annual turnover from foreign markets in the form either of exports or local manufacture abroad and Hoechst is not far behind with 68 per cent of sales coming from outside Germany.

BASF has traditionally been the member of the triumvirate which has kept closest to home markets—a factor determined perhaps by its much greater involvement in basic petrochemicals and oil, gas and coal production and processing—but more than half of its sales are also now found abroad and it is in the middle of a major reorganisation of management responsibilities at the top level of the company to take greater account of its international activities.

The big chemical groups started earlier than most to build up local manufacture abroad and the chemicals industry is far ahead of all other industrial sectors in West Germany in terms of the amount of money it has invested directly in foreign markets. Of the DM 33.8bn invested abroad privately by German concerns and institutions between 1974 and 1979, no less than 14.7 per cent was accounted for by chemicals and pharmaceuticals companies, against 9.7 per cent by the nearest rival, the electrical and electronics industry, and only 5.7 per cent by the motor vehicle industry.

A group such as Hoechst, with sales worldwide expected this year of around DM 29bn, has an investment programme worth some DM 1.8bn in 1980 in progress and next year is planning to sanction future expenditure of some DM 2.16bn, of which 40 per cent will be spent abroad. Its main foreign investment targets are other West European countries, which will take some 19 per cent of the total, and North America, which has been earmarked for some 12 per cent of the total.

Already this year Hoechst had brought on stream two plants in Texas for the production of polyethylene and styrene monomer, which at a cost of some $190m represent the company's largest single capital project to date anywhere in the world.

The completion of these plants inevitably means something of a shift in investment emphasis, but last year, North America accounted for some 24 per cent of group capital spending with West Germany taking only some 52 per cent.

Original research

The drive to establish such a strong presence abroad has come from the need to operate close to the customer in the world's biggest chemicals markets, such as the U.S., and also from the necessity of drawing on original research work from around the world, particularly for developing new products in sectors such as pharmaceuticals and agrochemicals.

But it is also true that foreign manufacture has allowed the German chemicals companies to get around some of the very high costs associated with manufacture in the Federal Republic.

Apart from the feedstock cost advantages enjoyed by the U.S. chemicals companies, West German chemicals groups claim that labour costs in the chemicals industry in the Federal Republic last year were also 27.9 per cent higher than in the U.S. Hourly costs were $13.20 against $10.32 in the U.S. (The calculation is based on an average exchange rate of DM 1.83 to the dollar last year.)

West German chemical companies' labour costs first began to outpace the U.S. in 1975. Since then the gap has widened sharply, partly as a result of exchange movements, but also because of the rapid increase in West German industry's social costs. These are now double the U.S. level.

Despite the high level of investment abroad, the West German chemicals industry is also the biggest exporter of chemicals in the world from its home base, with exports last year of some DM 44bn—equal to 14 per cent of the Federal Republic's total exports. The industry has a healthily large surplus on its balance of trade with imports last year totalling DM 24bn. Imports this year, however, have been rising faster than exports.

A major part of these foreign sales come from sectors such as pharmaceuticals and agrochemicals, where German companies can bring the strength of their impressive research and development effort to bear. It is also sectors such as these which provide the industry with its most stable source of revenues and which are not so prone to wild fluctuations in times of recession as are the big commodity chemicals, such as plastics and fibres.

West German chemicals manufacturers are confident that the recession this time round will not be as serious as the one that followed the 1973-1974 oil price increases, but they have been disturbed by the setbacks of recent months.

"I don't want to disguise the fact that we are looking with some anxiety at 1981," says Professor Rolf Sammet, chief executive of Hoechst. "From the way the economy is going it is perfectly possible that we will begin the new year on the valley bottom and all will depend on at what point a revival starts."

Imports erode a traditionally domestic market

MOTOR INDUSTRY

KEVIN DONE

CONFRONTED by a flagging domestic economy, recession in important export markets and a concerted attack by the Japanese on their home sales, West German motor vehicle manufacturers are having to ask themselves some awkward questions about how they are to survive the rigours of the 1980s.

After five boom years, jobs in some parts of the industry have started to look distinctly vulnerable and imports have increasingly begun to eat into a market that has hitherto been marked chiefly by West German motorists' traditional loyalty to domestic products. The Federal Republic's car makers have had an enviably strong home market—less than a quarter of sales have fallen to importers—with a higher level of car ownership (one for every 2.7 inhabitants) than in any other part of Europe.

With success, too, in export markets—more than 50 per cent of last year's record production of just under 4m cars were sold in foreign markets—the West German motor vehicle industry has built itself into one of the major pillars of the Federal Republic's economy. As many as one in seven workers in the country are dependent, directly or indirectly, on the industry for their jobs.

All manufacturers accepted that, after the prolonged boom of the second half of the 1970s, demand would have to weaken, but most have been taken by surprise at the sharpness of the fall in sales this year. What should have been a gentle cyclical dip in demand has been worsened by the fact that it has coincided with a widening world recession and that it is occurring at a time when the Japanese car industry has itself chosen to mount a major assault on the German market, the richest prize in Europe.

The turning point in the domestic market came as long ago as mid 1979, but a hectic final spurt of activity in the first half of the year, combined with continuing strong demand from foreign markets, meant German car production still rose to a record level of 3.93m last year. At the same time new car registrations within the Federal Republic only slipped back marginally to 2.62m from the peak achieved in 1978.

Registrations slump

But in 1980 it has been a different story. The motor industry has been the harbinger of a general slowing down in the West German economy and in the first eight months of the year new car registrations have slumped by 10.4 per cent to only 1.74m units. Matters have been aggravated for most domestic manufacturers, however, by the sharp incursions the Japanese have been making into this shrinking market, taking 9.9 per cent of new car sales from January to August as against a share of only 5.4 per cent in the same period last year.

Apart from the Japanese, only Daimler-Benz among the domestic manufacturers has been able to buck the trend by lifting its sales in the German market this year. The Stuttgart-based manufacturer of one of the world's most prestigious cars has been able to live off such a backlog of orders that it is cushioned from all but the most serious recessions.

At first most other German car makers thought that they too were largely insulated from the attack by Japanese imports. They had presumed, a trifle arrogantly, that their technological lead and the "superiority" of German products could still hold the loyalty of most German car buyers. Last year the ground gained by Japanese imports was indeed largely at the cost of other importers, chiefly the French and the Italians, but this year the German car manufacturers themselves have had to start making room for their Japanese rivals.

Herr Toni Schmücker, chief executive of Volkswagen, the largest car maker in the Federal Republic, admits: "We can no longer flatter ourselves that we have a clear lead in quality over the Japanese." With major car plants in West Germany shut down for the summer break the Japanese took as much as 15 per cent of the car market in August, an abnormal month perhaps, but it shows the direction in which the industry is heading.

Herr Schmücker accepts that at the moment the Japanese cannot be beaten on price but along with other industry leaders he is currently engaged in an intensive campaign to convince car workers of the seriousness of the problems the industry is facing and to prepare them for the "sacrifices" needed to try to close the gap.

Currently the car industry reckons that the Japanese can build a car for about 20 per cent less than a German company, giving them a big price advantage in western markets, even when the transport costs from Japan to Europe and the U.S. are taken into account. Hourly wage costs in the Federal Republic's motor industry (the basic wage plus social costs) amounts to around DM 25 against only about DM 15 in Japan. In addition the German car worker puts in fewer hours, about 1,600 hours a year as against just under 2,000 hours a year worked by his Japanese opposite number. Absenteeism is also higher among assembly line workers in Germany than in Japan.

The trade unions have already started to make it plain, however, that the car companies cannot expect to equalise their cost disadvantages at the cost of the industry's workforce. The growing problems of competing with Far East manufacturers could make this year's wage round particularly difficult for the car makers.

In the first eight months of this year as the German market has flagged total imports have risen to some 481,950 cars, equal to 27.7 per cent of the market compared with only 24.5 per cent in the same period last year. The chief response by German manufacturers to date has been to underline their commitment to the industry's very ambitious investment programme which is aiming both at new model programmes and at rationalising production methods with an increased emphasis on automation and the use of robots. The automobile industry expects capital expenditure to jump this year to DM9.5bn compared with DM7.4bn in 1979 and DM5.7bn in 1978. Expenditure this year will be about a third higher than the investment planned by the Japanese industry and it is clear that companies are bracing themselves to make a major

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Quota threat from EEC unites producers

STEEL

ROGER BOYES

THE West German steel industry, after months of unruly price-cotting and hard-nosed competition, was shocked into unity earlier this month by the threat of compulsory production quotas being applied by the European Commission.

The evangelistic call of German steelmakers bas long been: "Brethren, let us return to the way of the (relatively) free market, where the efficieot can prosper aod the lame dncks fall by the wayside." German steel producers, need it be said, are amoog the most efficient in Europe.

As a result, the prospect of the Eoropean Commission assuming emergency powers to impose compolsory production qnotas on steelmakers genuinely snook the German industrialists. The Government too was coocerned but it had for over two months been warning the industry that if it did not get its house in order the Commission would be driven into introducing compulsory measures, if only as a bridging measure until the middle of next year when a voluntary crisis cartel could be reconstituted.

Bot how long the current semblance of unity among German steel producers can last is open to qnestion. They may now be prepared to toe the line on a voluntary cartel, if only to avoid something worse, but their inclination is to let it die a natural death.

Sceptical

The German steelmakers were sceptical about tha Davignon Plan—named after its architect, the European Industry Commissioner—right from its inception in 1976-77. The idea of the scheme was to create market stability by agreed crude steel production levels, by a system of minimum price levels and by finisbed product steel targets. The Germans feared that once introdnced such a scheme would become a permanent feature of the landscape and would be used by fundamentally inefficient producers—Britain and France, for example—to retain excess capacity and out-of-date structures, with the help of State funds.

In the event, however, the breathing space provided by the Davignon Plan actually benefited the German producers, who seized the opportunity to restructure relatively painlessly. Nonetheless, it was clear to them that the necessary voluntary consensus had collapsed because of cheap imports and the shrinking market.

By the summer of this year the Commission bad to suspend the last remaining enforceable minimum price for hot-rolled steel coil, the basic material for flat steel used by the car industry. Because of the declining market—induced by the recession and a general slowdown in the key motor sector—the Commission's minimum price was well above market levels.

Meanwhile boles were also being torn in the Davignon production quotas. After a sharp drop in consumption—but with production levels still roughly as high as in 1979, a boom year —the Commission announced that European steel-makers sbould agree to cut production by 13 per cent in the final quarter of 1980. Otherwise, it said, there would be chronic over-production and prices would tumble out of coutrol.

Initially most German producers were prepared to play along with this but they insisted that such qnotas would have to be fairly imposed and not applied in such a way that they penalised the German companies for their efficiency. This was a counsel of perfection, as many producers were able to claim that they were a special case. The Italian steel industry said it was willing to cut its production but only from a much higher production base than in the second balf of 1979, which it claimed made an unfair comparison. The net result is that Italian output is expected actually to rise or at least stay at its present bigb levels. Cheap Italian imports bave this year penetrated mncb of the German market.

Meanwhile Kloeckner-Werke also claimed that it was being discriminated against by the production restraints of the cartel. The German prodncers had agreed to fix their quotas in relation to the 1974 level—a good year for all the German companies apart from Kloeckner-Werke. The latter at that time bad not got its new Bremen plant fully on stream. As a result, bound by "artificially low" quotas, the Bremen plant is only able to work at a fraction of its true capacity and is losing tbe company an estimated DM 100m a year.

Kloeckner thus felt no longer bound by the quotas and there ensued a row with the German Iron and Steel Federation, whicb insisted that the company provide its exact prodnction figures.

This rift appears now to have been at least temporarily healed. Kloeckner is back in the fold — compulsory quotas would almost certainly be more damaging than a voluntary regime — and is prepared to discuss the formation of a revised and more realistic form of voluntary cartel. Apart from giving Kloeckner higher production quotas, this new cartel —said Dr. Herbert Gienow, Kloeckner chairman recently— could bave a joint European sales office. That would go some way towards eliminating accusations of price-cutting.

The fact is that for all the talk about free markets a reformed voluntary cartel is very mucb in the German companies' interests, at least until demand picks up again, as boped, in 1983. Bot as Dr. Gerhard Ollig, the Economic Ministry's steel expert, indicated in a recent speech, European steel producers bave to accept that there bas been a structural shift to Third World steelmakers and that there bas to be considerable rethinking abont the rola of European steel.

This points in only one direction — further rationalisation, streamlining and diversification, increased research into new uses for steel and new energy-saving techniqnes. If the voluntary cartel can allow the prodncers to reorganise their workforce without mass redundancies, then so much the better.

Rationalisation within the German steel industry has begun to take an interesting new sbape. Thus Krupp and Hoesch are investigating ways of streamlining future production and eliminating production overlaps. It bas been suggested, for example, that Hoesch might be prepared to abed its old-fasbioned Siemens Martius plants mucb more qnickly than planned and thus allow Krupp to jump in to take over soma of Hoesch's crude steel production customers. In return rolled steel orders that normally would bave been placed with Krupp could be placed with Hoescb.

Thus two arch-rivals, in the face of the steel crisis, bave come to a remarkable live-and-let-live agreement. There is, they stress, no question of a merger and the companies will compete in the special steels area (which is playing an increasing role in Krupp's product mix).

These plans are still fairly tentative but many steel producers bave been using the revival in steel demand to put their financial bouses in order. This in turn will make diversification and consolidation of existing non-steel subsidiaries that much easier in the 1980s. Thus Salzgitter, tha State-owned steel gronp, managed—thanks to good results in the crude steel division—to reach a balanced result last year for the first time in years. Thyssen, the largest and most successful German steel group, increased profits from DM 100m to DM 167m and Kloeckner used the pick-up in steel demand to launch a major capital reorganisation wbich it believes could take it ont of the red this year and perhaps enable it to resume dividend payments next year.

Unease

While most German steel companies genuinely welcomed Kloeckner's capital write-down and restocking, there is still a lingering feeling of unease about the way it behaved. Dr. Detlev Rohwedder, chairman of Hoescb, sbarply criticised Kloeckner, for example for undermining the "crisis cartel."

But Herr Robwedder himself has come in for criticism from other German steel companies. After some intensive lobbying by Herr Robwedder—a former State Secretary in the Economics Ministry—Hoesch was recently given cheap loans worth DM 240m by the Federal Research and Technology Ministry and the State of North Rhine-Westpbalia. The loan will go towards the replacement of the three Siemens Martin plants by a single new oxygen-cooled plant.

This form of subsidy is not in itself remarkable, certainly by the standards of other European companies. But Hoesch critics have claimed that the company conld have carried out the same replacements in the early 1970s at much less cost and without resort to the Government.

German steel companies bave long complained about the subsidies given to their European competitors — subsidies they claim are being used to prop np outdated structures and excess capacity. Yet German producers have now become surprisingly dependent on various forms of Government assistance—the Hoesch case was simply a more blatant example than most.

Thus steel concerns are entitled to providential State grants towards the installation of blast furnace filters, a statutory requirement. At least three major steel groups have diversified into shipbuilding and as a result all have benefited from a DM 660m Government shipyards programme and from other coastal State relief schemes.

Nonetheless German steel companies have not been slow to cut back capacity and to exploit the much-vaunted "hreathing space" offered by the Davignon plan. Since 1975 the industry has cut back crude steel capacity by some 10m tonnes and 120,000 jobs have gone—largely through natural wastage—since the mid 1980s. This has madc for a generally efficient industry.

But it is still extremely vulnerable to the fall in consumption in Europe and the U.S. —a situation further complicated by the U.S. anti-dumping suits invoked against European producers this year—and to import penetration. Imports from non-EEC conntries especially bave grown over tbe past six years.

The industry is still reckoning on a recovery in demand in 1983-84 as the Western world moves out of recession and cyclical trends favour demand from sectors such as the construction industry. But how is the industry to survive in the meantime? Prices will stay low, especially given the current uncertainty surrounding the Davignon scheme, and costs are on the increase (most steel workers settled for around 7 per cent in the last wage round and wage claims are expectad to be in excess of 10 per cent this winter).

Above all, the banks are beginning to be concerned and indeed bave started to play a large role recently in persuading the German steel companies to reconcile their differences. On the one band the banks estimate that German steel production will fall by only 2m tonnes from 1979 to reach 44m tonnes this year. On the other, bank clients in the motor, shipbuilding and construction industries — major steel consumers — are reporting troubled times. Steel prospects of a 1974-type recovery are looking slim. Clearly the time is approaching when bankers will think twice about underwriting further investment in capacity.

Motor industry

CONTINUED FROM PREVIOUS PAGE

financial effort to close the competitive gap in the 1980s.

While car sales have fallen this year hitting manufacturers and components suppliers alike, there bas been one bright spot on the scene. This is continning strong performance of German commercial vebicles, whicb so far bave shown little sign of being overcome either by the slowing down of the domestic economy or by the recession abroad.

Tha onset of the recession and the advent of higher energy prices has had an important impact, however, on the car market and especially on sales of larger saloons of two-litre capacity and above. Tbe greater consciousness of the importance of fuel economy has brought about a substantial shift in buying patterns which has hit threa manufacturers in particular, Ford, Opel, the West German subsidiary of General Motors, and Audi, the Volkswagen subsidiary.

Both Opel and Ford have been forced to cut back their work forces in recent weeks after long periods of short-time working, and Audi too bas had to go in for short-time working this autumn as domestic sales of its Audi 100 model have plummetted by 38 per cent in the first eight months.

The slump of sales of some of the larger Ford and Opel modela has been equally dramatic. New registrations of Opel's Rekord fell by 34 per cent in the first eight months of the year from 162,108 to 106,801, sales of tha Ascona fell by nearly 33 per cent while demand for the larger Commodore and Monza models slumped by around 65 per cent. At Ford similar figures have been reported. Sales of the Granada in the eight months to the end of August were 52 per cent below last year's level, and Capri registrations dropped by 41 per cent in the same period.

The plunge in sales of the larger cars has led to the first reduodancies in the German motor industry for several years. First Opel cut 5,900 jobs from its Rüsselsbeim works near Frankfurt and this was followed in the late summer by Ford['s] move to cut the workforce at [its] Cologne and Düren plants [by] 6,000. Both companies ha[ve] employed a similar formula [of] early retirement and volunta[ry] redundancies, measures th[at] have cost Opel around DM 9[...] and Ford abont DM 135m.

Limited

The profitability of both co[m]panies has plunged as dram[a]tically as their sales and O[pel] has warned that it might w[ell] turn in a loss this year. T[he] drop in profits is coming a[t a] particularly sensitive mome[nt] when both companies [are] involved in major investm[ent] programmes. Opel is spendi[ng] some DM 6bn from 1979-1[...] on new model programmes a[nd] the rationalisation and exp[an]sion of prodnction.

Ironically for Opel while [it] bas been laying people off fr[om] the production lines of its lar[ger] models, it has been unable [to] satisfy demand for its new sm[all] car, the Kadett, which w[as] launched last year. Output w[ill] continue to be limited u[ntil] new components plants ha[ve] been commissioned.

Ford, on the other band, [has] suffered from its lack of a r[eal] competitor in the one part [of] the market which has sho[wn] some life in recent mont[hs,] namely the smaller medi[um-]sized models, which have b[een] dominated by Opel's Kad[ett,] Volkswagen's Golf and a host [of] imported cars. This major l[...] has now been corrected w[ith] the launch of the new F[ord] Escort, but the new model [has] not come a moment too so[on] and its success is crucial [to] Ford's survival and its chan[ce] of winning back some of [its] dwindling share of the mark[et.]

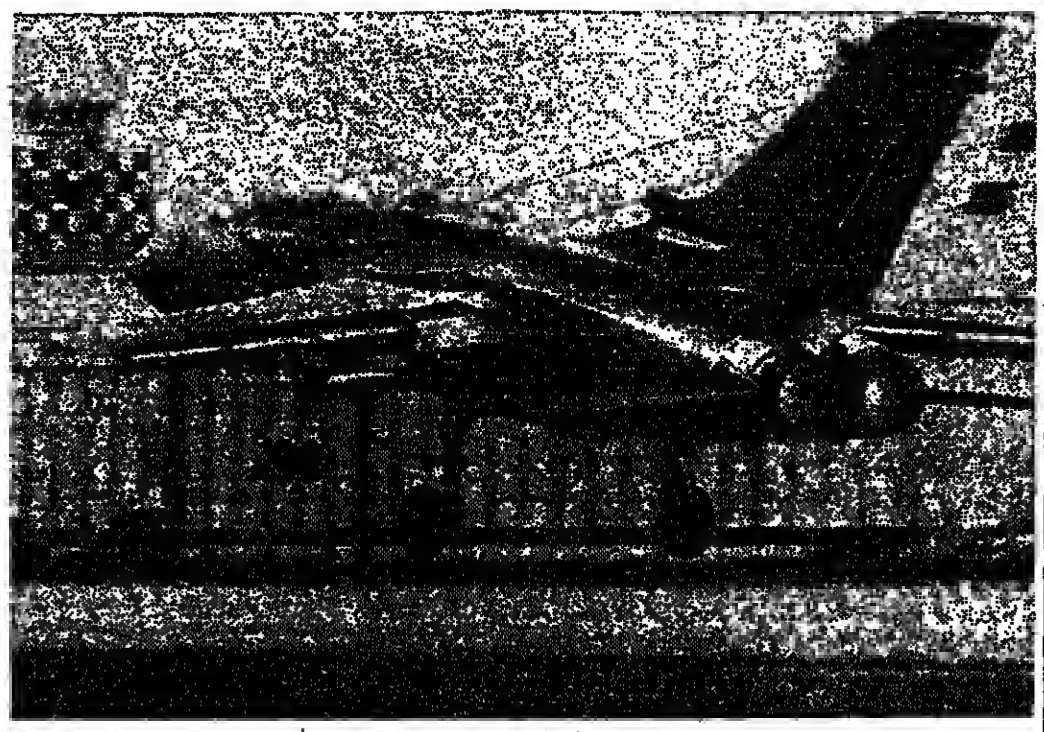
Germany's motor industry [is] far from pessimistic abont [its] chances in the 1980s and in [the] home market it still expects [an] average growth of around 2 [per] cent a year over the n[ext] decade, despite tbe prese[nt] recession. Opel bas already s[ug]gested that the lowest point [of] tbe decline of damand may ha[ve] been reached and it was s[ur]prised by the strength of dea[ler] demand in July and August.

هكذا من الأصل

WEST GERMANY XV

The Government hopes that economy of scale will allow the industry to compete more effectively in the world market, but its long-laid plans have yet to come to fruition.

Merger still shuffling to conclusion



The first pre-production Tornado multi-role combat aircraft on its first flight at MBB's Manching facility

AEROSPACE

ROGER BOYES

LOWLY, step by painful step. Vest Germany's two leading erospace concerns are edging owards a long-awaited merger hat will, in Bonn's view, create n internationally competitive ircraft industry. That was the tory three years ago and it is he story now; rarely can a merger have been so tortuous; so lear in its conception, and yet o baroque in its implementation.

The idea was simple enough. he West German Government aw a north-south imbalance beween the Bavarian-based Messerschmidt - Boelkow Blohm MBB), thriving on a steady ow of military contracts, and he Bremen-based Vereinigte lugtechnische Werke (VFW) truggling to keep alive an unrofitable partnership with okker of Amsterdam.

Bonn feared the worst — jobs ere threatened in the north, here was unnecessary and ostly duplication of work between MBB and VFW, and the overnment was becoming eeply involved financially in VFW. The answer was a merger, ith MBB taking over VFW, robably for a token sum, and hen moulding the two companies into a dynamic new European concern.

It was, as they say in airport isaster films, all systems go. ut, as regular filmgoers will now, that is the point where he problems begin.

Marriage

In the first place VFW had o free itself from its troubled arriage with Fokker — but the wo sides of the partnership aggled for more than two years bout how to assess the financial abilities of the two sides and f valuing their assets.

After 10 years of partnership, his was far from easy and far rom comfortable, as both sides ad become closely intertwined. he VFW-Fokker group consisted of holding companies in Holland and Germany which ach had a half-share in a central holding company based in üsseldorf. This in turn ran perating companies in both ountries.

Under the terms of the breakup, Fokker was to pay back half DM 83.6m loan which was aken up to meet the cost of nding the ill-starred VFW-614 rogramme. Only 16 of these hort-haul aircraft were sold and hey provided the clearest, most oncrete evidence in favour of a divorce.

Fokker however will not repay Government guaranteed credits of DM 280m taken up to finance the VFW-614 production. Moreover, it is only prepared to pay back its half of the DM 83.6m loan if it achieves profits of at least Fl10m a year between 1980 and 1997.

An expensive divorce then, in terms of continuing liabilities for VFW and for the German Government. Yet the difficult disengagement negotiations were paralleled by the astonishing success story of the European Airbus A-300, which has seen sales soar even in relatively untried markets like the Middle East. Against all expectations, VFW's star began to rise—last year profits were pushed up from DM 2.53m in 1978 to DM 9.79m thanks to airbus sales and to contracts landed by Erno, its space engineering subsidiary.

This had two main consequences. In the first place it made VFW shareholders extremely reluctant to sell out cheaply to MBB, and secondly, it ensured thet thero would be a long bargaining period with MBB, not just about price but also about future division of labour.

Net effect: yet further delays on the road towards a merged concern, and growing irritation on the part of the Boun Government.

The original notion was for two of the principal VFW shareholders, United Technologies and Krupp, to sell their stakes to the other major shareholder, the City of Bremen. Bremen would then aell the lot to MBB and the merger would be complete.

Although this idea, conveived by tha Government, had a certain elegance, it overlooked the interests of United Technologies and to a lesser extent those of Krupp. It was automatically assumed that UTC would sell ont but in fact its first reaction was to hang on to its stake (26.4 per cent), and to negotiate a part in the new European aerospace concern, especially building up its helicopter co-operation with the German aerospace industry.

More problems for the Bonn Government: the last thing it wanted was a major American stake in the new merged company which after all was supposed to compete with the U.S. manufacturers.

Intense negotiations between the main VFW shareholders followed and the result was a deal wbicb seemed to bring the merger that mnch closer. Krupp (wbicb bas a 35.2 per cent stake in VFW), UTC (with its 26.4 per cent stake) and Bremen (with a 38 per cent stake) would sell VFW to MBB in return for a 10 per cent holding in the new concern. The asking price would be determined after an independent valuation had been made of VFW, and Krupp would co-ordinate all three holdings

This still did not solva the dilemma of a U.S. presence in the new company even if Krupp co-ordinated the 10 per cent bolding and beld a supervisory board seat—its longstanding wish. United Technologies could still theoretically cause difficulties if, for example, it cama to the strategic planning of a belicopter sales drive in the U.S.

Side-stepped

This particular hurdle was crossed, or at least side-stepped, last month when UTC agreed to sell its VFW stake to Krupp. Krupp, the steel and engineering group, now holds 61.6 per cent of VFW and is in a position to dictate terms to MBB.

The consensus of opinion is that it bas made the merger easier and has almost certainly guaranteed Krupp that coveted seat on the supervisory board. But why should United Technologies have caved in so suddenly after holding part of VFW for some 20 years?

UTC itself issued a statement full of breezy altruism: it no longer wanted to stand in the way of the foundation of the new German aerospace industry.

There are likely to have been two other motives. In the first place, it realised that some of its more limited objectives—such as helicopter co-operation with Europe—could be achieved just as well through the vebicle of joint ventures with MBB. Secondly, the valnation of VFW seemed set to be a generous one and UTC, for the first time in several years, looked as if it would get a good price for its 26.4 per cent stake.

The price however will not be finalised until both MBB and VFW agree on a mntually acceptable valnation of the Bremen company. This then is another sticking point in the merger negotiations. The independent valuation puts VFW's worth at DM250m, bnt MBB is keen that the costs of tha divorce from Fokker are taken into account and that the asking price be pushed below DM 200m.

This has led to considerable bitterness in the recent phase of the merger talks which have otherwise been distinguished more by fatigue than acrimony.

MBB bas repeatedly said this summer that the merger is on the brink of being clinched and that the valuation costs are a mere formality. VFW's sbarebolders however feel far more strongly about the matter and fear that MBB is trying to stampede them into accepting a lower price.

Indeed the Bonn Government bas been putting a degree of pressure on Bremen—as a VFW shareholder—to agree soon on a valnation and speed up the proceedings. But Bremen has other worries—above all it is concerned that VFW might be excluded from the design and systems management in the new merged concern. If VFW becomes simply a prodnction adjunct of MBB, dependent on whatever surplus contracts can be steered its way from the Munich-based company, then jobs will be threatened and some of its undonbtable technological expertise could well be lost.

These then are the two principal problems now facing the merger—can VFW and MBB agree on a common evaluation of VFW's assets and can VFW secure an equitable division of labour within the merged concern?

MBB executives are talking of the merger being clinched by Christmas, but the same cry was beard (albeit from different quarters) last summer and the summer before.

One niggling donbt remains, especially among VFW executives. Even if it comes off, will it all be worth it? The combined turnover of MBB and VFW will be in the region of DM 3bn—not much compared to the U.S. giants with wbom they will be competing. The concern may not be all that profitable in the start np years. MBB recorded DM44bn worth of net profits last year and VFW pushed its profits up to DM9.8m, but it is not at all clear that profit growth will be able to keep pace with the substantial sales increases expected.

Will the concern be flexibla enough to respond to market developments, especially given the strong state interests in the two companies? Apart from Bremen's stake in VFW, both Hamburg and Bavaria bave a 43 per cent share in MBB. All of them will be sharply watching to ensure that any streamlining of prodnction does not create an excessive amount of unemployment in their states.

The Bonn Government does not view this as a major problem and argues that both Hamburg and Bavaria bave shown themselves to be particolarly accommodating shareholders in the past.

Rising costs

The only other shadow over the future of the new concern is one shared by other European aerospace companies: that of rising material and design costs on the one hand and sbarp overseas competition on the other. The soaring costs have been felt in both civil and military divisions—with the Tornado multi-role combat aircraft price reaching an estimated DM 67m compared to DM 15m, when it was conceived 10 years ago. Moreover the European Airbus is not expected to break even for some years yet.

The West German Government is under no illusion that the merger offers a panacea, but the immediate answer to the cost problem is in size, that is both economy of scale and breadth of ambition.

The new industry, Bonn hopes, will be able to look beyond the negotiating details of the past three years and seize on growth sectors — such as space research and satellite development — exploit them and propel Germany into the top league of European aerospace concerns.

Production continues to rise despite incentives

AGRICULTURE

JOHN CHERRINGTON

THE British Government bas been pressing for some time for EEC member states who create surpluses which become a charge on Community funds to carry some of the load themselves. These sentiments did raise an echo in West Germany a year or so ago.

Herr Josef Ertl, West German Minister of Agriculture, was then making statesmanlike noises when attacking the manifest disadvantages of the Common Agricultural Policy. At the same time Baron Heeremann, leader for 10 years of the German Farmers Union (DBV) was suggesting that some discipline should be imposed on chronic overproduction. However, the approach of the alections appears to have muted these sentiments, and in any case, West German farmers have reacted to all such exhortation and even financial inducement by producing more and more.

This is particularly the case in dairy farming. There has, it is true, been a significant reduction in the number of prodncers but there has been almost no rednction in the number of dairy cows and production continues to increase. In fact from the period January to July 1980, West German milk deliveries to dairies rose by 5 per cent continuing a trend which has been evident for the last decade.

This is in spite of the fact that German farmers were foremost in taking advantage of the EEC schemes for going out of milk production by means of which, since 1977, some 500,000 cows were removed from the national herd without, however, making any difference to the total census figure. What seems to bave bappened is that the cows removed were either passed on to other farmers or their departure coincided with rearing increasing numbers on remaining farms.

There was a time when Herr Ertl was claiming that, unlike his counterpart in the Netherlands, wbere much of the milk is produced from compounds tha German dairy farmer was producing almost entirely from his own farm resources of fodder. But by 1978 the prodnction of cattle compounds had increased by 60 per cent over 1975.

Yield per cow bas been increasing too, and once the existing breeda are gradually replaced by the Black and White Holstein, yields will undoubtedly approach those of Holland and the UK, wbere the proportion of these cattle is over 70 per cent as against 44 per cent in Germany.

Protection

The certainty of increasing dairy prodnction is assisted by the strength of the D Mark, which provides a measure of protection through the monetary compensation system. This at present means a levy of 9 per cent on farm imports from other member states. This is bitterly resented by traditional exporting countries such as Holland and Denmark, who believe that Germany should take more European Community products. But this concern is not confined to dairy products.

The German pig industry is very well developed, with about three times the numbers in the UK. Germany is still a net importer of pigmeat, but the scope for expansion is there, together with the fact that very large quantities of potatoes are grown for feed, a cheaper ingredient than cereals. Pig keepers are also protected by the MCA system.

Cereal growing has in no way been limited by the small average farm size. Overall prodnction is the second highest in the Community and in 1978 reached an all-time high of 23.9m tonnes. Part of the improvement bas been because of the price incentive, again thanks to the MCA which enabled new techniqnes of cereal growing to be practised, particularly in Schleswig Holstein.

But now that these methods have been adopted over the whole country, it is probable that the consequent overproduction will be impossible to reverse. Once farmars everywhere bava learned high-output farming, any disincentive by means of lower prices would probably stimulate them to prodnce even more.

It is frequently said that the problem of German and EEC overproduction for that matter is the stimulation offered by the high prices needed to support the mass of very small farmers whicb make up the whole. Once the small and part-time farmers are eliminated, by going into industry or retirement, a leaner, barder agriculture will take its place: one which will be abla to accept lower prices and so lessen the cost of the CAP.

This is a fallacious argument. Already some 80 per cent of German production comes from a minority of full-tima farmers and it is from this sector that the increased output will coma. The part-timers, with secondary jobs to cushion them, are probably leas driven by the necessity to force prodnction to the maximum to make ends meet. Where they fit into the German scheme of things is to provide a stable social base to the population as a contrast to the increasing industrialisation in the towns.

Nor is it sensible to believe that the elimination of the MCA protection would cause a fall in outpnt dne to the competition from other member states. From my observations, German Agriculture is inherently just as capable of viable prodnction as that in any other member country. The MCA arrangements simply made things rather more easy for farmers, but they would soon adapt themselves to changed circumstances.

On this and the next page, Financial Times writers profile six leading figures in West German affairs.

Dr. Gerhard Stoltenberg

DR. Gerhard Stoltenberg, Premier of Germany's northernmost State, Schleswig Holstein, exudes a sense of self-discipline aod well-brushed sleckness. But behind the cool facade there is a glowing ambition whicb radiates from him like light through a lampsbade—he is a man on the move.

The silver-haired politician now stands at a crossroads in a career that has been studded with clever and politically expedient decisions. Shonld be make a bid for the leadership of the Christian Democratic opposition now that Herr Franz Josef Strauss has been defeated in this month's general election? Or should he mark time in Schleswig Holstein, stand clear of the in-fighting and throw in his lot with the bloodied successor to Herr Strauss?

It is significant trihnte to his talents — in a party not exactly hrimming over with talent—that a third question does not have to be asked—should he give up his ambitions in Bonn and be content to be a provincisl politician? A definite no is the answer to the unasked question — Herr Stoltenberg would clearly like to rise to the top of the Christian Democrat pole. The only uncertainty centres on tactics and timing.

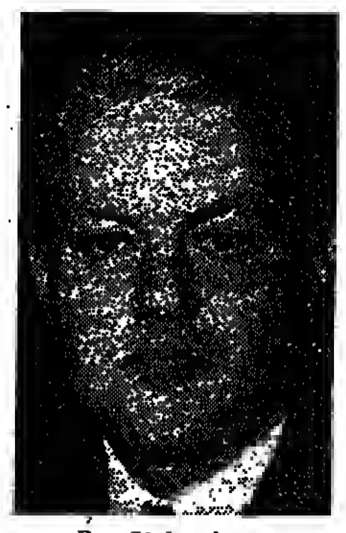
Dr. Stoltenberg has been an up and coming politician now for more than two decades. He wss once tbe youngest member of the Schleswig Holstein Parliament, the youngest member, at 29, of the Federal Parliameot, the youngest member of the Csbinet (as Science and Research Minister) under Chancellor Ludwig Erhard, chairman of the CDU youth organisation at the age of 27. Now be is 52 and still has time on bis side.

The problem is: did Dr. Stoltenberg wreck bis immediate chances of party leadership—and ultimately perhaps the Chancellorship of Germany—by lining bimself up so closely with Herr Strauss in the latest general election campaign.

Ooce viewed as a rival to Herr Strauss, Dr. Stoltenberg was wooed over to the Bavarlan's side in early summer. By the eod of the summer, Herr Strauss was talking of Herr Stoltenberg as Germany's next Vice-Chancellor and Finance Minister.

It was not to be. But Dr. Stoltenberg does not seem to have suffered too badly from being identified with the losing candidate.

It was Dr. Stoltenberg who must take the main credit for helping to make the problem of state Indebtedness a major election issue. Dr. Stoltenberg, who has carved ont a role as one of the leading financial and economic brains in the CDU.



Dr. Stoltenberg

discovered the theme many years ago. Tbe combination of Dr. Stoltenberg and Herr Strauss, himself a former Finance Minister, managed to project the issue in s campaign otherwise distinguished mainly by its vacuity.

Dr. Stoltenberg gained two other advantages from his alignment with Herr Strauss. In the first place, he became widely known in the southern states of Baden Wuerrttemberg and Bavaria where Strauss-Stoltenberg posters were to be seen on most street corners. Secondly, he asserted himself as a television politician par excellence.

Frieods say that Dr. Stoltenberg has the ratber irritating conversational mannerism of talking to people as if they were in a public meeting. Each cooversational gambit ends with an interesting pause as if Dr. Stoltenberg is walting for a vote of thanks. But this coolness in personal ties—which may have slightly hurt his standing iu the party so far turns into a positive asset oo televisioo wbere be emerges as strong, reasonable, factual and mature.

Both assets—the exposure in the south of Germany and the effective national television coverage—will stand him in good stead should he make an immediate bid to be the Chancellor candidate of the opposition. He could also probably count on the support of Herr Strauss and the Bavarian Christian Social Union, the CDU's sister party.

But what militates ogainst Dr. Stoltenberg making an aarly bid for the leadership is the dangerously small majority of the CDU in Schleswig-Holstein. Dr. Stoltenberg will thus have to concentrate on guarding his flank before the State Parliament holds its next elections in 1983. The SPD in particular has made it clear that it will make an all-out effort to win Schleswig-Holstein, thus, giving the Bonn Government a majority in the Upper House.

Dr. Stoltenberg is a quiet, contemplative man with broad interests. His doctorate was on the history of the Weimar Republic and his main passion is collecting Far Eastern art. This may just have given him the distance from politics to see wben jobs should be turned down or accepted. In 1962 be turned down the Defence Ministry after Herr Strauss stepped down.

In 1968 he declined the Interior Ministry after Herr Strauss stepped down. in 1968 be declinad the Interior Ministry offered to him by Chancellor Kurt Kiesinger. In both cases, he appeared to sense that the jobs, though important, would have created more problems than they were worth—and he was right.

The dilemma is now—will Dr. Stoltenberg be able to show the same restraint in the race for the leadership of the CDU. The next man to become the Christian Democrats' Chancellor candidate could well become the next leader of West Germany—and that is a prize that Dr. Stoltenberg may fiod difficult to resist.

Roger Boyes

Herr Franz Steinkuehler

AT 5.30 on a cold aod damp October morning Herr Eugen Loderer, head of the IG Metall metal-workers union, visited the Suttgart picket lines just being set up outside Daimler and Bosch. The idea was partly to show solidarity for a strike that was unique in post-war German labour relations—it was the first industrial dispute to be fonght over working coditions rather than wages.

But Herr Loderer had another motive. He wanted to check on the fiery strike leader, Herr Franz Steinkuehler, the district organiser wbo was running his first strike at the age of 35—and this in an organisstion that has sn almost Kremlin-like respect for aged leadership. In the event Herr Loderer could have stayed in bed—Herr Steinkuehler had been up for several hours, drinking coffee, cracking jokes and giving occasional orders to tha pickets.

That was seven years ago. It would be difficult to recognise Herr Steinkuahler now. He drives around in a hlack official Mercedes, is deputy chairman of the Baden-Woerttemberg Social Democratic Party and—thanks to the workers' co-determination laws—he haa seats on the supervisory boards of Audi-NSU and Daimler. He is a lay judge and helps to run the onion-backed building society Neue Heimat.

Is this, one wonders, the old story of a burnt-out radical bought out by the Establishment? The shop floor revolutionary wbo metamorphosed into the armchair variety? The hard man gone soft?

Not so. Herr Steinkuebler baa simply become a radical wolf in moderate sheep's clothing. He still represents tbe most serious challenge to the car and steel manufacturers in Baden-Wuerttemberg. Above all be is the sharpest thorn in the side of

Herr Steinkuehler

Herr Loderer and the central leadership of IG Metall.

The Old Guard under Herr Loderer still subscribes to the consensus model of labour relations that lies at the heart of Germany's "economic miracle" — the notion that industrisl problems can be solved in a rational, uncontroversial way by union leaders, employers snd sometimes Government officials sitting together around a tahle and deciding on what is in the national interest. Herr Steinkuehler implicitly challenges this notion. He feels that workers' interests have been neglected. Over the past three years IG Metall have never settled for more than a 7 to 8 per cent average wage increase, even at times when the economy was performing relstively well.

Here is a record of some of his activities over the psst three years:—

● 1978. Herr Steinkuehler leads a bitter series of strikes in south-west Germany and wins nnprecedented guarantees for his members against their being replaced by oew technology.

● Summer 1979. Herr Steinkuehler leads campaign to introdnce a wage supplement to be granted in addition to normal wage round because of higber fuel costs. Campaign receives wide backing outside Herr Steinkuehler's Baden-Wuerttemberg district (900,000 members) both in other IG Metall districts (total membership almost 3m) and in other unions. Herr Loderer holds talks with the emnloyers and the Chancellor. Rejects pressure but promises tough wage round. In fsct all districts apart from Baden-Wuerttemberg settle for about 7 per cent. Baden-Wuerttemberg pushes it up to abova 8 per cent.

● Summer 1980. Herr Steinkuehler challenges central leadership of IG Metall, saying it is too centralised. Objects to "pilot" region system whereby first district to settle in a wage dispute sets the pace for the rest of the union. Calls for greater regional autonomy.

Even this short sketch of Herr Steinkuehler's recent record shows clearly that Herr Loderer has good reason to be worried. But while Herr Steinkuehler is extremely amhitious, Herr Loderer need not fear that any of the central leadership will be ousted in the naar future — at 43 Herr Steinkuehler is still far too young to get any of the top jobs.

But Herr Steinkuehler's challenge is more fundamental, not least because it seems to voice the views of many grass roots members. It is a challeoge to the existing pattern of wage negotiation, to the traditional ways of settling arguments about the conditioos of work in the factory.

Roger Boyes

Dr. Vogel

Dr. Hans-Jochen Vogel

"HANS-JOCHEN WHO?" Even foreigners with more than a passing interest in West German politics pose the question when tbe name of the Federal Justice Minister is mentioned. Dr. Hans-Jochen Vogel is neither renowned beyond Germany nor does he receive anything like the domestic media coverage of some of his cabinet colleagues. Yet, if Herr Helmut Schmidt were to step down while his Social Democrat Party (SPD) were still in power, then Dr. Vogel stands a good chance of succeeding him as Chancellor.

On the face of it this seems astonishing. It has long been widely assumed that either the present Finance Minister, Herr Hans Matthoefer, or the Defence Minister, Herr Hans Apel, was the heir apparent to Herr Schmidt. It would certainly be foolish to rule out either. But the rise lo authority and esteem of Dr. Vogel (Schmidt: "the best Justice Minister this country ever had") is unquestionable.

Setbacks

Thus things seem to be going Dr. Vogel's way, but it was not always so. He has suffered serious setbacks to his career which caused some commentators (and even colleagnes) to write him off as a potentially influential political force. Born into a Catholic family in the university town of Göttingen on February 3, 1926, Vogel went straight to the war front from school, was twice wounded and then imprisoned. When peace came, be decided for the SPD as the party he felt was most likely to keep the country out of external conflict and to give it domestic stability through social reform.

At first, success seemed to come almost too easily to Hans-Jochen. He was top of his law exams out of more than 300 candidates, gained a brilliant doctorate, and at the age of 34 the youngest Lord Mayor the Bavarian capital city of Munich has ever had. He gained the office in 1960 with 64 per cent of the vote, increased his support to 78 per cent only six years later, and pushed through a buge building and planning programme for the Munich Olympics of 1972.

Then success seemed to desert him. By the time he departed to become Federal Building Minister in Bonn in 1972, the Munich SPD had swung strongly to the left leaving Dr. Vogel, best described as a reformist of the centre, largely isolated on his bome ground. In the Federal capital be seemed lost in the national political struggle, always working hard, aiming in tha right direction but constanly disappointed.

Vogel's change to the Justice Ministry in Herr Scmidt's first cabinet in 1974 changed all that. He has constantly handled tense and delicate situations with ability and courage—for example, the pressures on his ministry during the height of the terrorist threat. Not that the evidence of these qoalities was to be wondered at after his experience as a jndge in Bavaria. He is quoted as ruefully recalling it was not hard to sentence ordinary criminals, but to fine a Bavarian butcher who put too much water in his sausages demandad coorage of an unusually high order. A sense of humour is not the first quality one associates with Dr. Vogel, but it is there all the same.

Jonathan Carr

Dr. Iber-Schade

Dr. Anne-Rose Iber-Schade

THE NEW head of West Germany's Vereinijung von Unternehmerinnen (the association of female entrepreneurs), Dr. Anne-Rose Iber-Schade, has one main goal: to promote the image of top women in industry. She says that, while it is no longer extraordinary for a woman to manage a company, businesswomen still have to dispel many lingering misconceptions and prejudices here in the Federal Republic.

Dr. Iber-Schade, who has a degree in economics, entered her family's automobile spare parts and component business, Wilhelm Schade AG, in Plattenburg, Northrbine-Westphalia, and took it over five years later on the death of her father. Her husband became the company's technical director. Now, at the age of 57 with three grown children, she has withdrawn a little from the management of the flourishing company she and her husband have been running for 25 years to concentrate on her contribution to the association's efforts.

Wilhelm Schade AG, with its work force of 1,500, is a medium-sized company with an annual turnover of DM 120m. Despite its heavy dependence on the motor industry it weathered the downturn in this sector during the 1974 energy crisis virtually unscathed, thanks largely to the decision to spread the risk by supplying all West German and many foreign car producers, not only a few major ones. This policy has been accompanied by successful attempts at product innovation and diversification.

Like Dr. Iber-Schade, the majority of the 1,400 members of the association manage medium-sized businesses. What special problems do they face? First of all, of course, they have the same difficulties afflicting most entrepreneurs these days. They have to cope with increasing state intervention in industry and the resulting floods of paperwork. And, like their male colleagues, they are affected both by stringent company taxation, which threatens the substance of the enterprise, and by the growing social security burdens which boost personnel costs.

On top of this, however, they have to fight against society's mistaken view that they are either single and mannish, or, on the other hand, have made their careers only through a prudent marriage or by an inheritance.

Encouragement

By no means a fiery feminist, Dr. Iber-Schade feels, nonetheless, that in the continuing absence of equal opportunities for women it will certainly take some time before female entrepreneurs are wholly accepted. Although she believes that female company bosses—like their male counterparts—need only leadership qualities, the willingness to work extremely hard and staying power in order to succeed, she also thinks that even well qualified women executives need special encouragement and advice to master the ever-tougher competition in an increasingly difficult economic climate. Thus, she is convinced of the continuing need for the association, which was founded in 1954 to provide a forum for mainly untrained women who had had to take over family businesses after their husbands were killed in the war.

Dr. Iber-Schade also urges her members to come forward and seek office in government bodies and industrial federations. This, she says, is the best way of demonstrating the female entrepreneur's readiness to shoulder responsibility beyond her immediate concerns, and of doing away with widespread misapprehension about women in key positions.

Dr. Iber-Schade has set the best example herself. She is a member of the board of the Economic Council of the opposition Christian Democrat Party, an honorary judge at the Federal Social Court which rules on social security disputes and a member of various committees of the Federation of German Employers. But she takes special pride in having recently been appointed—as the only woman among five men—to the respected Monopolies Commission, the advisory body to the Government which acts as a watchdog of the social market economy.

Elgin Schroeder

Edzard Reuter

LEADERS OF West German industry are not used to being accused of hypocrisy, especially by one of their own number. It was hardly surprising therefore that Edzard Reuter, financial chief of Daimler-Benz one of the bluest of blue chip companies in the Federal Republic, should create something of a stir in West German boardrooms earlier this year when he urged industrialists to show a little more honesty in publicly owning up to the facts of modern *industrial life*, to the imperfections of the social market economy and the role played *today by* the state.

Reuter has been quick to point out since that he was speaking in a personal capacity, wishing to detach Daimler-Benz from any resulting disfavour. He admits too with an engaging frankness that he was astonished at the effect his outspoken address, given to an international management symposium at St Gallen in Switzerland, had had on a much wider public in Germany.

But he was clearly driven to speak his mind because of his growing concern that the younger generation is being alienated by the "hypocrisy" of modern leaders—from politics, the *trades unions* and from industry—speaking in one way but acting in quite another.

He is not a German industrialist who has attracted controversy in the past and he has not courted it now, but he appears to have hit on a sensitive nerve in German industrial life, and he is anxious that society's leaders should not lose further credibility with the young.

Reuter, 52 years old, belongs *to a generation of German* managers that has come to the fore since the completion of the major reconstruction of the German economy and he feels perhaps freer than many of his predecessors to try to analyse aloud the role a modern industrial group should be playing in the economy and in society.

"My belief is," he told his audience *at St. Gallen*, "that the only people that are qualified to be employers today are those that have an intrinsic understanding that our responsibility for the environment is not a shackle imposed by the politicians, that our responsibility for jobs is not a burden forced on us by the trade unions, but that both must be *accepted independently as joint* responsibilities, as a duty and as a challenge."

He is unlikely to choose to want to expound on this thesis from any platform other than that of a leading industrialist, for he *appears content* with his role on the Board of Daimler-Benz.

He joined the Stuttgart-based car and commercial vehicle maker in 1964 in the financial department after working for the Bertelsmann publishing *group, where he had* been helping to prepare a publishing consortium's application for a licence to run a commercial

Herr Reuter

television station, an institution which never actually materialised under German law.

He was appointed to the Daimler-Benz board as a junior member in 1973 and as a full member in 1976 with responsibility for strategic planning and organisation. From the beginning of 1977 he *also took* over the technical planning function and was thus responsible within *the collegiate board* for *the* Daimler-Benz group's entire corporate strategy planning *worldwide*.

He stresses the fact that both in theory and in practice decision-taking at the Daimler-Benz board is a matter of joint and shared responsibility, but it is nonetheless true that much of the group's current ambitious *five-year, DM 10bn capital* expenditure programme has stemmed from his department.

Undoubtedly, the centre-piece of the programme is the development of Daimler-Benz new "smaller" car, which will take up at least DM2.5bn of the total investment and rather more when shared parts are taken into consideration.

The car has been the subject of wide speculation since the project was announced in 1973, but Daimler-Benz has coyly admitted to little except to point out that it will be a "true Mercedes" and that it will be a "*smaller*" car, not a "*small*" one.

The planning for a smaller addition to the Mercedes range has been going for probably at least two decades. One version was developed in the early 1960s, but never saw the light *of day*, and Reuter *admits* that the first oil crisis in 1973-74 certainly helped to firm up plans for *the model, which* had again started to crystallise in 1972-73.

The thinking behind the smaller car is very much the product of the Zahn era at Daimler-Benz. Professor Joachim Zahn had become as important a symbol of Daimler-Benz in his 14 years as chief executive as the Mercedes star that adorns the bonnet of all the group's products.

Zahn finally retired from the executive board at the end of *last* year and for many months Reuter was among the men tipped to take over as chairman. In the event the top job went to Dr. Gerhard Prinz, a fellow board member, and Reuter moved across to take over Zahn's portfolio in finance.

In his present function he is overseeing the development of Daimler-Benz's annual report into a more informative document—a world consolidation was provided for the first time in 1978—but he is aware that the lack of common guidelines still bedevils the task of inter-company comparison.

Reuter is clearly no revolutionary, but he is interested in reform and more open, *honest* discussion of the condition and role of modern industry. He is *himself* something of a rarity in German industry, a member of the Social Democrat Party holding office on the board of one of the country's top companies, and his views today inevitably owe much to his early *family* history.

He is the son of Professor Ernst Reuter, the famous first Mayor of West Berlin, who held office in the first early dramatic years after the Second World War, when Berlin was the focus of world attention and its life hung on the *slender* thread of the airlift of goods from the West during the Soviet blockade.

During the Nazi period, Ernst Reuter was persecuted for his Social Democrat views and spent some time in a concentration camp.

Edzard Reuter went into exile as a boy with his family first to London and then for several *years to Turkey, returning first* to Berlin after the war to take up the study of mathematics, physics and law.

Kevin Done

Countess Dönhoff

IN JANUARY, 1945, Marion, Countess Dönhoff, was forced to abandon her family estates in East Prussia, retreating westward on horseback through the snow before an onslaught of Russian tanks.

Today she is Publisher of *Die Zeit*, the Hamburg-based weekly newspaper which she helped to found in 1946 and of which she was for years Political Editor, then Chief Editor. In the intervening span of more than three decades her own writings and the general editorial policy of *Die Zeit* have had a major (although obviously unquantifiable) influence on the development of *Liberal attitudes* in the Federal Republic.

What is meant by "Liberal" in this context? It is not simply support for the policies of the *Free Democrats* (FDP), the West German Liberal Party which is the junior partner in Chancellor Helmut *Schmidt's* Coalition Government in Bonn. True, the relative success of the FDP in this month's general election showed some voter disenchantment with the polarisation of the preceding campaign—and that is a result about which Die Zeit is certainly not unhappy.

But there is more to it than that. Countess Dönhoff summed it up nicely in a speech last year in the Netherlands, when she accepted the Erasmus prize awarded jointly for outstanding journalism to *Die Zeit* and to the *Neue Zuercher Zeitung*. She stressed that Liberals needed strong nerves—the ability to put up with claims from the Left that they were "reactionary" and from the Right that they were veering towards Communism. "In the end the legitimate place for the Liberals is between all stools," she declared, adding on behalf of *herself* as well *as* Die Zeit, "we feel very happy to be there."

Of course, *Die Zeit* is not the only German publication to follow this kind of philosophy, but it has probably been the most consistently successful in doing so. In the student revolt *of 1968*, it *initially supported* the upsurge of the young (to the annoyance of many Conservatives) as a step towards necessary reforms. But it firmly condemned the gradual rise of violence associated with the movement (to the anger of the young *extremists* who felt this was the only way to overturn the old system). It deplored the terrorist attacks of *1977* on leading public figures, but in a series of articles it warned against over-reaction by the state.

This sense of balance *emerges* in particular in her articles and comments on relations with the East, which, after

Countess Dönhoff

all, was her homeland. She was born on December 2, 1909, at Friedrichtein near Königsberg (the birthplace of Kant, now the Soviet city of Kaliningrad), gained a Doctorate of Law at Basle in 1935, travelled widely beyond Europe, but returned home in 1939 to manage the family estates.

Clear-sighted

It would not have been surprising if the outcome of Countess Dönhoff's exile had been bitterness and strong opposition to any accommodation with the Communist states. But she is the authoress — with two of her *Die Zeit* colleagues — of one of the least prejudiced, most clear-sighted accounts of a visit to a Communist East Germany. The book "Journey to a Far Country — Economy and Politics in the DDR" (Deutsche Demokratische Republik), appeared in 1964, three years after the building of the Berlin Wall and well before the Bonn Government launched its policy of establishing normal relations with the East under Chancellor Willy Brandt. It was therefore no surprise when Countess Dönhoff supported that policy, although more aware than its most enthusiastic advocates that the going would be slow, tough, and beset with *setbacks*.

Countess Dönhoff holds many awards, among them the Peace Prize of the German book publishers, the Arthur D. *Morse* Prize of the U.S. for services to publishing, and an Honorary Doctorate at Smith College, *Massachusetts*. None of this seems to alter her: she remains personally charming, quiet spoken and very determined. She continues to travel widely, and fortunately, to write often.

Jonathan Carr

Munich: home of Meistersinger

THE ARTS

JONATHAN CARR

A GRAND musical tradition is alive and well and living in Munich. I am not referring to Herr Karl Richter and his Bach Choir and Orchestra, excellent though they are, nor am I suggesting that the Munich Philharmonic is being restored to its former pinnacle under Mr. Sergiu Celibidacbe (whose fans claim bim to be one of the very last of the great conductors). No, this tradition on the face of it is a more impersonal one—for it involves a building and a composition.

The building is the Nationaltheater, home of the Bavarian State Opera, and the work is Richard Wagner's *Die Meistersinger von Nürnberg.*

It is quite possible that you will hear the orcbestral part more accurately played at the Salzburg Festival, or better interpreted (by Mr. Reginald Goodall) in London. It is even conceivable that the overall standard might be equalled in a performance at Bayreuth (although the less said about some of the recent efforts there the better). But in the end *Meistersinger* belongs to Munich as *Boris Godunov* belongs to the Bolsboi. Why is this?

For one thing *Meistersinger* had its first performance there in June, 1868, under Hans von Buelow (with whose wife, it will be recalled, Wagner was ungrateful enough to run off). After the Second World War, it was the first work to begin a naw series of Munich music festivals — in the Prinzregententheater, since the Nationaltheater itself still lay in ruins. And when the Nationaltheater was finally rebuilt (much in the previous style), it was *Meistersinger* which ushered in the new era, on November 23, 1963.

So mucb for the statistics, but they don't prove very much. After all *Tristan and Isolde* also had its premiere in Munich and is not often absent from the programme there, yet its strenuous gloom seems better suited to more northern climes. That is a highly subjective impression, and many would not agree, but I well remember one local university professor's conclusion to a dismal discourse on the philosopby of Schopenhauer and its links to Tristan. He referred to a performance in Municb under the late, lamented, Hans Knappertsbusch.

"Was it impressive?" I asked. "It was magnificent," he said, his eyes glistening as he gave the highest possible accolade: "it was bardly tolerable."

There is a lot about the Nationaltheater to make a performance of *Meistersinger* tolerable, even for those for whom sitting through a Wagner opera is a penance to be endured only for a loved one or (perhaps) for an important business contact. It is true that the seats seem to become a littla hard as one approaches the end of the second hour of the last act. But the riot of colour in the final scenes on the meadow before Nuremberg — a spectacle for which the Nationaltheater pulls out every one of the many stops at its disposal — diverts the eye whatever the other discomforts may be.

Terry Kirk

The theatre in Wiesbaden—one of the many German towns to have its own theatre and opera house

So does the sight of tbe evening gowns in the main lobby (the Nationaltheater is an unrepentantly "dressy" place), the marble staircases, the red velvet, tha gold and sky blue decorations and the crystal chandeliers. If that is not recompense enougb, then there are inexhaustible supplies of hot berries and ice cream, salmon aod cbampagne.

Is it really only a few decades since tbe theatre and the whole city centre was a bombed-out shambles, since there were queues for tbe soup-kitchens, since Cardinal Faulhaber performed the first post-war Christmas Mass in the shell of Munich's main church, under an open sky?

Time and again there are passages in *Meistersinger* which bring back toat ara — like the great Wahn monologue of Hans Sachs. "Why do people torment and flay ooe another in useless, foolish anger . . . it is the old madness. If it balts somewbere it is only to gain strengtb in sleep. Suddenly it awakens, then see who can master it."

The Munich-boro Richard Strauss produced his own post-war epitaph on the Opera House where he had so often conducted and wbich now lay in ruins: The *Metamorphosen* for strings based on Beethoven's Funeral March. Strauss seems to be striving for effect in some works, using a brilliant technique to obscure the fact that he has little to say. *Metamorphosen* is decidely not one of those occasions.

Still *Meistersinger* is the last work to leave you with mournful feelings. Indeed, part of the delight is that it arouses them, only to blow them away again in a finale whose optimism does not seem to be too cheaply purchased.

Thomas Mann (another onetime Munich citizen) was not correct about everything — but in the case of *Meistersinger* he was right on target. "It is," be said, "a splendid work, a festival opera if ever there was one, a poem in which wisdom and boldness, the worthy and tbe revolutionary, tradition and the future, are wedded in a manner which is at once grandly joyous and at a deeper level awakens enthusiasm for life and art."

It would be unwise to try to cap that, but it is worth giving a last word of warning. On no account allow yourself to be drawn into a discussion between enthusiasts (some would aay lunatics) on the best performers of *Meistersinger* over the years. At least, do not do so if alcohol is readily to hand.

I wall recall an argument developing between several, otherwise civilised, people in a vaulted wine cellar a stone's throw from the Nationaltheater. It was bad enough when one, younger, member of the party suggested that Herr Rene Kollo, a tenor much in demand today as Walther Von Stolzing, was at least as good as Herr Heinricb Knote, a tenor in Munich around the turn of the century, of whom some recordings still exist. The contempt of tbe older, more experienced *Meistersinger* hands knew no bounds. Bnt when the same person sought to argue that any Hans Sachs today was as good as the famed Hans Hermann Nissen, wbo sang the role under Toscanini, there was pandemonium.

Only one interjection restored the peace: that the Nationaltheater was still the best place to attend a performance of *Meistersinger*, and always will be. Glasses clinked and an unseemly incident had been narrowly avoided.

Plans for privately run TV stir strong feelings

BROADCASTING

ELGIN SCHROEDER

"THIS COUNTRY will be different at the end of it," says Herr Albrecht Mueller, Head of the planning staff at Bonn'a Federal Chancellery; wbat be means is, it will be worse. He is referring to the changes which will be wrought by the arrival in West Germany of the so-called "new media": cable and satellite television.

Their introduction is, in any case, thought to be inevitable by experts of every political persuasion. Nonetheless, to bring up the issue is at once to spark off beated discussion not only about the extension of existing communications but also about the current monopoly of the publicly owned radio and television system. Many Germans, including Chancellor Helmut Schmidt, think this has proved its worth over the past 30 years and do not want to aee it disappear.

Proponents of the "provan system," who are nppermost tha Social Democrat Party (SPD) which is the senlor partner in the Bonn Coalition, argue that it bas enough to offer for all tastes and warn that more television leads to apathy and the isolation af the viewer. Tha supporters of the new media, primarily the opposition Christian Democrat Party (CDU), speak of increased chances for a "bealthy diversity of opinion" which is, as they say, the basis of a good working democracy.

Their demand for privately run, commercial atations is balf-heartedly supported by the Free Democrat Party (FDP), which is tha junior partner in the Bonn Government. It steers a middle-of-the-road course in wanting introdnction of commercial channels, hnt established as pnblic bodies—both to promote a wider spectrum of opinion and to open new markets for the electronics industry. Thns the dispnte haa been carried into the ranks of the ruling coalition.

Safeguards

The situation is further aggravated by the print medla's concern over the advent of new competitors on the already tight domestic advertising market. Take two major market trials of viewdata and teletext—techniques for providing information by linking specially modified television sets with compnterised data bases. These trials, launched in Düsseldnrf and Berlin tbis summer, could only get off the ground with difficulty. At first, the newspaper publisbers resisted the broadcasting organisations' insistence of exercising monopoly over the transmisslon of the new media. Now the controversy has been put on ice for the time being so tbat the publiabers can at least participate in the trials.

Today'a West German broadcasting organisations were established after the war, taking as a model the kind of independence the BBC enjoys. To make sure that broadcasting would never again be taken over by tha state—as it was during the Nazi era—the Länder, the German provincial states, were solely responsible for the networks. Nine regional stations were set up, run by public sector bodies made up of representatives of all "socially relevant" groups such as the political parties, the churches and trade unions.

These nine stations subsequently formed ARD, West Germany's first television channel. During the day it broadcasts separate regional programmes, but in the evening the stations contribute to a joint effort. In 1963 ZDF, the second channel, was fonnded—also in the form of a public corporation—representing all the Länder. This channel televises one single programme for the whole of Germany. A third channel, provided by ARD, offers mainly educational programmes regionally.

'Political bias'

But from the first the political parties viad for more infinence in the conncils supervising and managing the networks. The attraction was the opinion-forming power of the spoken word. Soon the CDU, then in power at Federal level in Bonn, began to complain that the SPD was exercising too great an influence on broadcasting, and that radio, as well as television, was leaning too far to the political Left.

Ever since one of tha country's leading public opinon polls ascribed the SPD/FDP victory at the 1976 General Elections to an alleged Left-wing bias of the networks, the fight of the parties for supremacy over broadcasting has been oo. It came to a head over the NDR, North German Radio (Norddeutscher Rundfunk), the country's second largest radio and television station, and it is now threatening the wbole public broadcasting system.

For a long time the Christian Democrat states of Lower Saxony and Schleswig-Holstein had complained about unhelpful political bias from NDR, which they were running jointly with SPD-ruled Hamburg. Finally, Schleswig-Holstein eave notice that it too wanted to leave NDR. Shortly afterwards it announced that together with Lower Saxony it was planning to set up its own radio system, to include commercial broadcasts.

Although this development was effectively barred earller this year by a court ruling, the present broadcasting system seems to have won a reprieve only. The subseqnent compromise of the former opponents to continne NDR as a three-state system envisages the abolition of NDR's radio monopoly in North Germany at the end of 1982. Additional private channels will then be allowed. The accord alao foresees introduction of commerical radio spots by NDR next year to supplement the station's inadequata licence income—a path which other provincial networks have already taken.

While the feuding polltical parties expressed their satisfaction with the "fair compromise"— the SPD because the NDR remains intact as a public corporation and the CDU because it will be able to realisa its media plans after all (albeit with some delay)—strong protests came from the North German newspaper publishers. They attacked the agreements on grounds that the introduction of radio spots—especially in regional programmes—to be followed by commercial television later on would send their advertising revenue plnmmeting. This, they sald, would revive the trend towards concentration in the free-enterprise written press which had seemed to be broken after the early 1970s.

So far, the print media cannot complain about lack of advertising. Newspapers and magazines together received as much as DM 7bn of the total DM 11bn, Germany's expenditure on advertising in 1979.

Besides, concentration of the Press may nn longer be so great a problem as statistics seem to indicate. Admittedly, of the 1,200 daily newspapers published in West Germany today, nearly 1,000 are no longer what are called here "fully independent" papers edited by their own separate staffs. But while the number of these indapendent papers dwindled from 225, in 1954, to 121 in 1976, tha total actually increased again—by just one—in the next three years to 1979.

Only about half of the papers that receive a substantial part of their editorial content from other newspapers have a daily circulation nf more than 10,000. Of the 55 papers in the country with circulations of 100,000 or more, only one does not have a full editorial staff to prepare its contents. Furthermore, in the three-year period till 1979 only one paper (with a small circulation of 4,300) vanisbed. All thls is a clear indication of how much the situation on the German newspaper market has quietened down compared with, for instance, the time between 1964 and 1967 when 38 newspapers were forced out of publication.

Largest circulation

The country's five largest publishing enterprises have roughly 45 per cent of the daily newspaper circulation market. The biggest of them, Axel Springer Varlag, has a 25 per cent sbare of the total daily circulation with five papers. Two of these are nationally distributed: the conservative and respected Die Welt and Bild Zeitung wbich, with daily street sales of just under 5m is the largest circulation newspaper in Continental Europe.

To sum up, while, for mainly ideological reasons, the political parties are squabbling over the introduction of the new media the privately-owned written Press bos aolid financial grounds for its reservations. As Dr. Alfred Neven du Mont, President of the Federation of German Newspaper Publishers aays: "We don't want to block cable and satellite television, nor teletext and viewdata, but we do insist on a fair share in the use of the new technology."

Michael Donne reports that a marathon legal battle over air routes may be in prospect

Europe's airlines face a Laker time-bomb

IF ANYONE really wonders why the majority of the world's airlines, especially in Western Europe, have been resisting the mounting consumer pressures for cheaper air fares, the stark facts outlined in the latest analysis of the airline industry by Mr. Knut Hammarskjold, director-general of the International Air Transport Association, provide the answer.

He will tell the IATA annual meeting in Montreal today that last year, the 103 member airlines, including most of the biggest in the world (outside the U.S.), experienced a year of "profitless growth."

They carried a record number of scheduled passengers, at 390m, or 7.5 per cent more than in the previous year.

But they made virtually no money. Their operating revenues grew by 18 per cent to $50.6bn (£20.73bn), but their operating costs rose by 23 per cent to $50.45bn (£20.67bn).

The financial results for 1980 will be even worse. By August, the scheduled services of IATA members collectively were showing losses.

The worst problem confronting the airline is fuel, which went up last year by an average of 73 cents a U.S. gallon. Fuel now accounts for 31 per cent of all airlines' operating costs, against only 12 per cent in 1973.

The second problem is the recession, which is now biting deeply into airline revenues. General inflation is also taking its toll. Although there may be some exceptions, "airline operating costs in general will be hard hit by continued inflationary pressures in the year ahead," says Mr. Hammarskjold.

Contributing to these costs are increases in user-charges round the world—the price the airlines pay for using airports, navigation and other facilities. The UK here comes in for bitter attack, because in the current year alone, increases in these charges in the UK will add another £80m to airlines' bills.

Mr. Hammarskjold criticises the British attitude for on the one hand raising user charges, while on the other pushing for cheaper air fares, especially in Europe.

The point that Mr. Hammarskjold makes most strongly, however, is the need for Governments to show a much greater awareness of the long-term value of air transport to the world's economic well-being.

Abrasive policies designed to attack the industry, such as the U.S. Civil Aeronautics Board's long-standing threat to remove from members of the IATA their immunity from U.S. anti-trust laws, are only one facet of this.

However, the U.S. and British governments are not the only bodies threatening the fare structure which IATA defends—Mr. Hammarskjold, indeed, wants official regulations streamlined to permit faster increases in fares in response to rising fuel costs. Mr. John Nott, the UK Secretary of State for trade, who is singled out for criticism by Mr. Hammarskjold for urging lower fares, may now face a legal battle with the British arch fare-cutter, Sir Freddie Laker, which would question the right of EEC governments to control fares at all.

Sir Freddie had appealed to Mr. Nott against the rejection by the UK Civil Aviation Authority of his application for 36 routes from the UK to Europe—and perhaps several hundred between Continental destinations — at cheap, Skytrain-type fares.

Mr. Nott rejected this appeal, and a similar one from another UK independent, British Calendonion, on the ground that hostility from foreign governments would make it impossible to secure such routes. Sir Freddie now intends to argue that the powers under which these governments can restrict the granting of routes are illegal under the Treaty of Rome, which prohibits, under Articles 85 to 90, any restrictions on competition.

He now threatens to ask the courts to declare that this treaty obligation over-rides the right under which the European system of regulation, route-sharing and revenue pooling has been developed since the war. This is the right of any country to sovereignty over its own air-space, which implies the right to say who shall and shall not fly in it.

Since not only Mr. Nott's own Department of Trade, but also the air transport establishments of every other member of the Community, believe Sir Freddie to be wrong, they are bound to fight him. A marathon, far-reaching legal battle may well be in prospect.

Sir Freddie has might on his side as well. The European Commission itself believes it is time that the structure was changed, and has said it will call on airlines to introduce new, more competitive route-making policies. But the EEC's wheels are cumbersome to turn, and it could be years before anything is done. Sir Freddie likes to move faster, and a legal prod from the European Court might get the Commission moving faster, too.

The foreign airlines' and governments' objections to the inflow of new airlines with low-fare ideas, such as Laker Airways and British Caledonian, stem from fears of traffic dilution on specific routes, at a time of recession, when all European air traffic is at a low level.

Virtually all inter-city air routes in Western Europe are governed by bilateral air agreements between the two countries concerned. These allow their respective flag airlines to share the traffic (and also the revenues and profits, if any) on a carefully calculated basis, frequently, but not necessarily, 50/50. If a second airline from one of the countries wants to join the route, the bilateral agreements require that its traffic (whatever it can pick up) should come out of its country's overall share—the traffic, in effect, is not diluted so far as the other country is concerned. In that way, the rights of the other country's airline (and its profitability) are protected.

Thus, protectionism remains strong in Western Europe. Whenever the UK has tried to introduce second airlines on major trunk routes, as it has, for example, on occasion out of Gatwick, it has met fierce resistance, and often an outright "no" from the other country and airline involved.

Thus, spreading the concept of greater air transport liberalisation, and cheaper air fares, has been, and still is, a painful, uphill struggle. British Caledonian knows this only too well. It has services to Paris, Brussels and Amsterdam from Gatwick, but its efforts to introduce new cheap fares on those routes have so far been thwarted by the other governments and airlines concerned.

That is not to imply that the European airlines do not accept the idea of cheaper fares as a means of stimulating traffic. But in many cases they argue strongly that this is not the time to introduce them. Costs in all directions, and especially of fuel, are soaring; the industrial recession has depressed traffic; and losses are only just round the corner even if not here already for some carriers. Time enough, they argue, to think of fare cuts, when economic conditions generally improve.

It is a difficult argument to counter. The fact that the British airlines, including British Airways, believe that now is just the time to try to boost traffic by reducing fares, even on an evolutionary rather than revolutionary basis, does not seem to have much influence with many Continental carriers.

Nevertheless, the UK airlines have different ways of making their points. British Airways is moving slowly, through negotiation and with the example of successes on other routes like London-Paris. British Caledonian also feels that this is the right method, using the established procedures of licence application and diplomatic negotiation.

Laker Airways, however, adopts a tougher stance. It accepts the current channels of licence application, because that is the law, and recognises that those channels must be exhausted before it turns to other means. But when the present system fails to come up with what Laker believes to be the right answer, it says simply that it is entitled to question whether the existing processes used to grant air transport route licences are quite as legal as they seem.

Laker bluntly says they are not. The airline is basing its case largely on Articles 85 to 90 of the Treaty of Rome. These broadly lay down the rules of competition governing members of the Community. A memorandum from the Commission, dated July 6, last year, relating to the development of European air services, expressly stated that "the rules of competition (Articles 85-90) form part of the general provisions of the Treaty that apply to air transport without any Council decision being necessary."

In other words, the airlines and governments of the Community are bound by those Articles, although the Memorandum further commented that "the Commission currently lacks the practicable means to ensure that the airlines regularly and effectively comply with the rules of competition," with no penalties for voiding the rules.

Article 85, for example, expressly forbids activities by undertakings or associations of undertakings which may affect trade between Member States "and which have as their object or effect the prevention, restriction or distortion of competition within the Common Market." In particular, this applies to those bodies who "limit or control production, markets, technical development or investment, share markets or sources of supply."

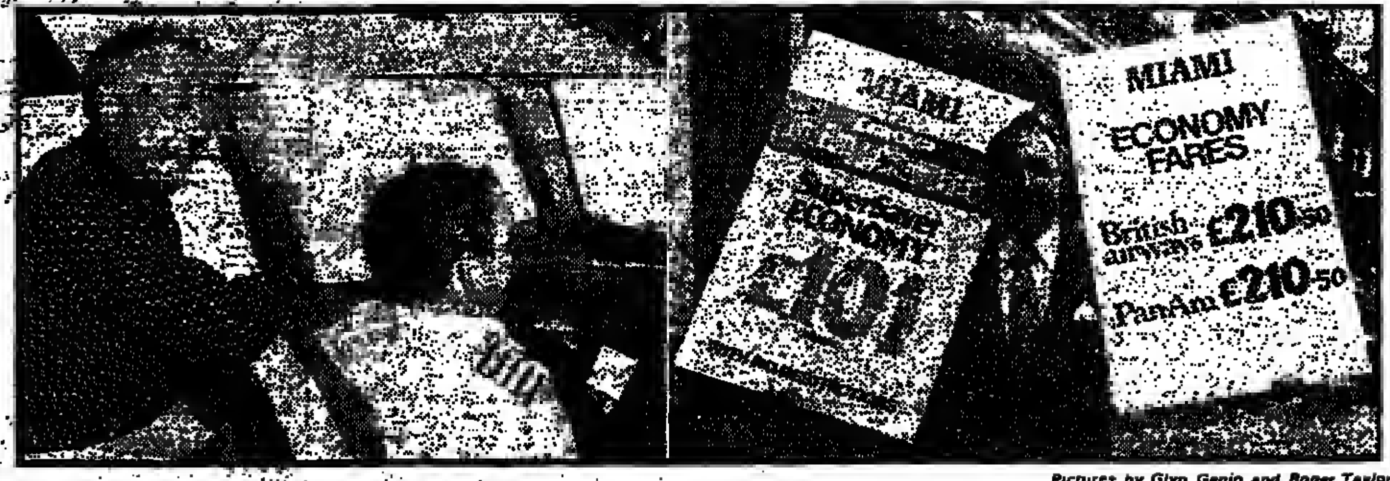
Article 86 goes further, saying that "any abuse by one or more undertaking of a dominant position within the Common Market, or in a substantial part of it, shall be prohibited as incompatible with the Common Market, insofar as it may affect trade between Member States." Such abuse may include "limiting production, markets or technical development to the prejudice of consumers."

It does not require much imagination to see what that clause—if upheld by the courts—would do to the current cosy bilateral air agreements on which the whole of Western European air transport has been based for the past 35 years.

But the Treaty goes further. Article 88 provides that member countries shall have the right to rule on the admissibility of agreements, decisions and concerted practices and on the abuse of a dominant position, "in accordance with the laws of their country," but with Articles 85 and 86 in mind. Article 90 provides that, in the case of public undertakings and undertakings to which Member States grant special or exclusive rights, Member States "shall neither enact nor maintain in force any measure contrary to the rules" of the Treaty.

It is, of course, a legal minefield, and one in which the lawyers in all the countries concerned are likely to enjoy a field-day in determining how the wording of the Treaty should be interpreted. So complex is it, in fact, that so far, nobody except Sir Freddie has tried to test it in the courts.

Mr. John Nott, last week, in his statement, said that "our own legal opinion is that there is no provision of Community law which overrides the regulatory systems of member Governments. But if Sir Freddie wants to test his interpretation of the Treaty of Rome in the European Court, he is free to do so."



Pictures by Glyn Genin and Roger Taylor

Sir Freddie Laker, flying high on one of his McDonnell Douglas DC 10-30 Skytrain aircraft and (right) announcing down-to-earth fares to Miami and New York in August.

Letters to the Editor

Chemical tariffs

From the Director-General, Chemical Industries Association

Sir,—The article by Sue Cameron (October 14) describes well the basis of the chemical industry's opposition to some aspects of the EEC Commission's proposed modifications to the scheme of tariff preferences (GSP).

In considering Samuel Brittan's inclusion of the chemical industry in his Scroll of Dishonour (October 16) one has to assume that he did not read Ms Cameron's article, since otherwise he could hardly have so misrepresented our position.

With the two exceptions below we are not in fact opposed to duty free access to EEC markets being given to chemicals produced in the "poorer" (i.e., low *per capita* GNP) countries who are trying to get a chemical industry started. In such situations the intentions of GSP are probably a practical and humane example of enlightened self interest by the Community.

What does concern us however is what we regard as the undue restriction of the list of "sensitive" products where the preference to the exporting country is reduced. These materials are chemicals where the viability of European production is in doubt and, let it be understood, in these cases we are not seeking protection by anything other than the agreed normal common tariff under GATT.

It would seem unfair to companies and people's jobs here to give developing countries an unlimited advantage in competing with products where there is clear inability of the market to absorb such preferential imports. There is little benefit in killing Peter to sustain Paul.

The other misapprehension about our case is illustrated by Lombard (October 21) who claims to find a hair-crack in our argument for excluding the highly sophisticated chemical industries of some admittedly low *per capita* GNP countries from special preference. He suggests that on the contrary it is the Community's intention to give across the board trade preferences to "developing countries" irrespective of the degree of development of sectors in their industry.

The EEC Commission however, has stated its intention of complying fully with the objectives of the March, 1975, resolution to the extent that the economic situation permits. Moreover, it is proposed that the present modifications could remain in force for 20 years so the framework has to be designed to cope with sectoral economic problems in the future which could be even more difficult than those which presently face us.

But most powerfully in justifying our position we would argue that the very existence of a sensitive list in the Commission's proposals proves the intention of the Community to be pragmatic rather than doctrinaire in its attempts to help the developing countries to help themselves. This, of course, has to be done without at the same time undermining the European economy by granting to already developed industry sectors in such countries a preferential licence to trade duty free. Damage from an advantaged competitor is no less real because it is located in a low GNP *per capita* country.

For these reasons we continue to believe that our case is well founded, and far from protectionist.

Martin E. Trowbridge,
Chemical Industries Association,
Alembic House,
93, Albert Embankment, SE1.

Siting plants

From Mr. H. Stephens

Sir,—Mr. W. L. Luetkens in the Lombard column (October 21) supports underdeveloped countries in exporting petrochemical products derived from oil feedstocks costed in at below world prices.

He believes that EEC plant manufacturers and contractors benefit from this activity but this is questionable. If the demand for the petrochemical products is to be met, plants will have to be built somewhere, and EEC plant manufacturers and contractors are more likely to benefit if construction is in the EEC than if they have to compete in third countries with their U.S. and Japanese opposite numbers.

Nor is it necessarily true that there will always be a benefit from petrochemical production in underdeveloped countries. Plants will cost more to build and to maintain than in or near to industrialised countries. Output is likely to be reduced because spare parts will not be readily available. These disadvantages can be overcome if the country is likely to develop its own sophisticated engineering industry but otherwise they will be permanent. There will be a further penalty if there are no indigenous or neighbouring markets for the petrochemical products. They will then have to be exported to industrialised countries in specialised and relatively small vessels; and the transport costs will always be substantially higher than if the feedstock were exported, in the form of crude oil in very large crude carriers, to industrialised countries to be converted more efficiently into petrochemical products there. The case is different if the feedstock is a gas that would otherwise be burnt but then a subsidy might well not be necessary.

H. K. Stephens.
8, St. Stephens Avenue,
St. Albans, Herts.

An extra tax bill

From the Editor, Tax File.

Sir,—The use of gifting money by tax-efficient deeds of covenant is growing — but how many donors realise they could be building up an unexpected extra tax bill?

The benefit of a covenant is that an income of, say, £1,000 per year can be passed to a recipient who is not liable to tax, by the donor paying out only £700 in cash each year. The £300 per year which the donor is treated as having deducted, and which the recipient can reclaim, is an amount of tax which the donor would have had to pay to the Revenue in any event if he had not made the covenant. The result is that, by spending an additional £700, he can effectively channel £1,000 to the recipient. Covenants made by parents in favour of their unmarried children who are under 18 do not have this effect.

A recent court ruling, however, has created a new problem for anyone making a covenant who has: investment income of more than £5,500; no investment income but who makes gross payments under covenant of more than £5,500; and investment income of less than £5,500 but which, if added to the gross amount of the covenanted payments, would result in a total of more than £5,500. The excess over £5,500 in any of the cases is likely to be treated as the investment income of the donor and will attract the 15 per cent surcharge.

Many tax experts are very unhappy about this court ruling and are disappointed that the taxpayer is not likely to appeal. Unless the Inland Revenue issues some practice statement or concession its seems this surcharge will be imposed, at least until a new case is taken to the courts.

Jack Harper,
Tax File,
4 Valentine Place, SE1.

Contamination at work

From the Assistant Director National Radiological Protection Board

Sir,—A printing error in the first paragraph of my letter of October 23 made me say that 26 Los Alamos workers were an adequate basis for epidemiology. What I did say was that it was an inadequate number.

J. A. Dennis,
Harwell, Didcot, Oxon.

Royal Dockyards progress

From Mr. A. Cutler

Sir,—May I comment on the article by your correspondent William Hall (October 21) on the stubborn resistance to change in the Royal Dockyards. While I would not presume to question his financial knowledge, or the results of his comprehensive research, I do feel the whole article reflects, quite wrongly, on the ability of the Royal Navy and civil service to provide a viable and efficient service in the Royal Dockyards.

Mr. Hall states that the Royal Navy insists on running the Dockyards in much the same way as Samuel Pepys. In Devonport Dockyard we have a complex for the refit of nuclear submarines, this has resulted in great changes in methods of working, training of a skilled workforce, and "buildings to accommodate the submarines during a refit." This has now been successfully accomplished, hardly a "stubborn resistance" to change.

Another point not mentioned by Mr. Hall, is that the workforce from managerial level, to skilled and unskilled workers, are amongst the lowest paid in the country, and the Dockyards are losing many skilled men to private industry. Another point mentioned, was, although the Royal Dockyards are manned largely by civilians there are about 70 RN officers in senior positions. Why not?, these are mostly technical officers of great ability and experience, who will man the ships. Often a design that looks fine on a drawing board, is not so good in a force 10 gale.

Finally Mr. Hall, I can assure you that both the Royal Navy and the Dockyards are moving with the times, and Samuel Pepys is just a name in history.

Alfred J. Cutler, BEM,
(Ex-Master-at-Arms Royal Navy),
10 Linnerton Close,
West Park,
Plymouth, Devon.

Electricity structure

From the Chairman, Electricity Council.

Sir,—Mr. G. W. Rufford (October 20) makes a number of interesting assertions about the organisation of the electricity supply industry in England and Wales.

Perhaps because Mr. Rufford's experience has been confined to distribution matters his comments fail to take account of the need for unity of production and retailing functions, which is an essential part of electricity supply in other utilities throughout the world and, indeed, in Scotland and Northern Ireland.

Every serious external examination that I know of, including the reports by the Herbert committee in 1957, the Plowden committee in 1976, the Select Committee in 1978 and the Price Commission in 1979, has recognised the need for overall general management of the industry, which the present organisation fails to provide.

The essential need is surely to ensure that policies which have a genuine national significance are able to be decided nationally and thereafter to allow the maximum devolution of executive management. This principle was spelled out by Plowden and has been fully recognised in draft proposals for the industry on a number of occasions. I take it that a similar recognition would be given by Mr. Rufford to managerial devolution within the Eastern Board, of which he is deputy chairman, and that he is able to identify matters of overall policy which require to be dealt with at Board level.

It is not correct to suggest that the proposals made by any of the bodies I referred to involve "a big pyramid concept" or a "massive unitary corporation." Such an important topic deserves balanced discussion.

(Sir) Francis Tombs,
30 Millbank, SW1.

The strong pound

From Mr. R. Almond

Sir,—The current strength of the pound is again causing concern. Apparently a strong pound leads to higher prices for British goods on overseas markets. Can the consumer expect to see reductions in the prices of foreign goods to reflect the strength of sterling; frankly I doubt it. Check the price of your foreign car, has it altered or do the manufacturers fix the prices rigidly in each country irrespective of temporary fluctuations in exchange rates?

R. I. Almond,
3 Smithy Green,
Ogden, Rochdale.

Today's Events

GENERAL

UK: Parliament resumes.

Dr. Joseph Luns, North Atlantic Treaty Organisation secretary general, talks on NATO and the world situation, to European Atlantic Alliance Group, House of Commons.

Mr. Anthony Wedgwood Benn speaks at public meeting, East Ham, Town Hall.

Mr. Michael Heseltine, Environment Secretary, speaks at Buckhurst Hill.

Mr. John Stanley, Housing Minister, visits the Construction Industry Training Board's Bircham Newton Training Centre, Norwich.

Seminar on export promotion and information services, London Chamber of Commerce, EC4.

Sir Peter Gadsden, Lord Mayor of London, opens National Fire Safety Exhibition, Royal Exchange, EC2; attends Shipwrights' Company dinner, Mansion House.

Speakers from Ingersoll Engineers and the National Engineering Laboratory address Institution of Mechanical Engineers seminar on industrial robots, London.

Trial opens of Lady Kagan on charges under Exchange Control Act, Leeds.

International Food, Wine and Kitchen Exhibition opens, Bristol (to November 1).

Overseas: Lord Carrington, Foreign Secretary, meets Mr. Frigyes Puja, Hungarian Foreign Minister, Budapest (to October 29).

EEC Council of Fiscal Affairs meets to discuss harmonisation of excise duties and increase in the personal allowance of travellers, Luxembourg.

Dr. Saburo Okita, Japan's Foreign Trade Minister, meets Mr. Wilhelm Haferkamp, EEC Commissioner for external relations, Brussels.

Organisation for Economic Co-operation and Development meets in Paris to discuss Turkish aid package.

The Queen and the Duke of Edinburgh begin state visit to Morocco (to October 30).

International Horse Show, Washington.

PARLIAMENTARY BUSINESS

House of Commons: Debate on the National Health Service in England.

House of Lords: Local Government Planning and Land (No. 2) Bill, report. Tenants Rights (Scotland) (Amendment), Bill, third reading.

COMPANY MEETINGS

See Financial Diary on page 6.

Euro Ferries chief sells bulk of his shareholding

MR. KEITH WICKENDEN, chairman of European Ferries, hsa aold almost his entire shareholding of 135,000 shares.

The sale, apparently done at 161p average through the market lsst week, was to raise funds to meet a personal tax liability.

It was also, in part, a protest at the restrictions which now hedge directors who wish to buy or sell shares, a spokesman for Mr. Wickenden said yesterday. Because of the difficultiea of dealing Mr. Wickenden would not be buying more Euro Ferries' shares, he claimed.

The spokesman said that Mr. Wickenden had arranged with the Inland Revenue to sell the ahares some months ago. Since then, bowever, the lengthy negotialions over the purchase of Singer and Friedlander and the normal financial periods in which directors' sales are frowned on under the model code, had held up the deal.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—London Atlantic Investment Trust, Outwich Investment Trust, Tern-Consulate, Thersis.

Final:—Pochins

FUTURE DATES

Interims:—

Beecham	Nov. 19
Callender (George M.)	Oct. 29
Elliott (B.)	Nov. 27
Guardian Investment Trust	Nov. 6
Joseph (Leopold)	Nov. 12
Lake View Investment Trust	Oct. 28
Lunuva (Ceylon) Tea & Rubber	Oct. 30
Scott and Robertson	Nov. 11
Yorklyde	Oct. 30

Finals:—

Border & Southern Stkbldrs. Tst.	Oct. 28
Herman Smith	Oct. 31
Singapore Para Rubber Estates	Oct. 28
Wood Hall Trust	Oct. 31

Midway loss for Lowland Drapery

On turnover down slightly from £2.6m to £2.37m, Lowland Drapery Holdings, textile warehouse concern, bas suffered a pre-tax loss of £112,500 for the half year ended June 30, 1980, compared with a break-even £300 profit last time.

The compsny bas again omitted the ioterim dividend—last year's final was 1.5p when a £61,805 loss was incurred.

The directors say that a cartain amount of reorganisation, including redundancies, took place during the six months, but this bas been followed by mnch more drastic action ln recent weeks.

The Brunswick Street property has been completed and is up for sale. Further redundancies have taken place, and apart from two small fsctory nnits and the retail outlet in Bechin, the whole group operation is now housed in the Wilson Street-Hntcheson Street property.

The directors say these changes will hring about a considerable reduction in operating costs, but the advantages will be much more evident in 1981.

Trading as a whole continues to he dull, because of the recession, and directors say it is donbtful if turnover for the full year will match that of 1979.

They add, however, that taking into account the reorganisation, there are definita indications that the company will return to profit in 1981.

Loss for the first balf was after depreciation of £33,100 (£32,000) and interest amounting to £85,800 (£60,800).

Spong seeking borrowing powers increase

The directors of Spong and Co. are seeking approval to increase the compsny's borrowing powers to an amount equal to four times the adjusted share capital and reserves.

On the basis of the last audited balance sheet this would be £2.2m, compared with the current amount of £1.1m which is twice the share capital and reserves.

As reported on October 21, the company suffered heavier first-half losses of £350,000 (£123,064) and is carrying out a reorganisstion programmes which includes a reduction in staff from 218 to 60.

Mr. D. W. Spong, chairman saya that becsuse of the continuing trading losses the directors cannot be confident that by the date to which the next audited balance sheet will be made up, the adjusted capital and reserves will not have heen reduced to an amount at wbich the borrowing limit at the present level would not be exceeded.

Wellman in £750,000 deal with Birlec

Wellman Engineering Corporation has agreed to buy Birlec's industrial heat treatment and induction melting furnace business, excluding its contract heat treatment interests, in a deal worth up to £750,000.

The buainess will be transferred to Wellman Incandescent at Smethwick, Birmingham, from the Birlec plant at Aldridge, Walsall, and Wellman will offer employment to s number of Birlec employees.

The consideration will not exceed £750,000 of whicb £625,000 relates to £300,000 goodwil plus certain plant, work in progress and stocks already acquired. The £625,000 has been satisfied by the issue of 1.25m ordinary shares.

Birlec bas aold these shares through James Capel and Co. buy a placement with institutional investors.

The remaining payment, to be made in casb, relates to the balance of work in progress and stock to be taken later.

Downturn for Clayton, Son at half year

THE EFFECTS of prevailing conditions both at home and abroad on the capital goods industry have reduced first-half 1980 taxable profits of Clayton, Son and Co. (Holdings) to £270,571, compared with £337,814.

The directors of the engineering group envisage that full year profits will be considerably reduced against the £963,687 for 1979, although they say improved results have been achieved in Australia. They add that they see no prospect of a turn in the trading pattern before the year end.

The interim dividend is held at 1.3975p net—last year's total was 6p.

Turnover in the first half moved ahead at £5.41m (£5.17m). Profits included associates' share of £51,704 (£8,240) but was subject to tax of £137,822 (£174,840). After minorities' losses of £486 (£3,783 profits) there is an attributable balance of £133,235 (£159,191).

AIRLINE IN RECEIVERSHIP

Following a request from the directors to their bankers, Mr. Anthony Houghton, a partner in Touche Ross and Co., has been appointed receiver and manager of Air Freight and Skyways Aviation. The group which is based at Lydd Airport, Kent, suspended operational flying last Friday.

Stanley Miller setback

A FALL from £98,486 to £5,746 in pre-tax profita is reported by Stanley Miller Holdings, building contractor and civil engineer, for the balf-year to June 30, 1980. Turnover rose from £6.02m to £7.43m.

The downturn has been brought about by various factors, and the Board says the lack of sales in private house building and the consequent devaluation of this division's work-in-progress bas resulted ln a substantial loss. The separate civil engineering subsidiary has alsa suffered a considerable loss.

The Board adds, bowever, that there is one bright feature in that the turnover of the company'a main activity, building contracting in the UK, bas increased and with some improvement in margins. Turnover in Saudi Arabia has continued to fall against near static overheads.

There was an associates' loss of £4,431 against profits of £66,590 last time. After tax down from £51,000 to £3,000 and minorities, attributable profit came out at £6,640 (£49,286).

The interim dividend is unchaoged at 0.6p—last year's total was 1.4p from pre-tax profits of £263,465 (£190,082).

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Baker Electronics (Section: Electricals).

Marinex Petroleum (Oil and Gas).

SPAIN

1980 High	1980 Low		October 24 Price %
252	203	Banco Bilbao	252
282	217	Banco Central	282
220	203	Banco Exterior	219
244	200	Banco Hispano	241
137	117	Banco Ind. Cat.	125
175	141	Banco Madrid	141
284	237	Banco Santander	282
190	132	Banco Urquijo	132
261	208	Banco Vizcaya	261
248	200	Banco Zaragoza	220
123	75	Dragados	110
73	58	Espanola Zinc	63
66	53.2	Fecsa	64.2
40	23.2	Gal. Preciados	32.5
71.7	58.7	Hidrola	69
68.2	57.5	Iberduero	65
123	100.7	Petroleos	116.5
92	59	Petroliber	85
116	102	Sogefisa	102
65.5	61.5	Telefonica	62
70.5	58.2	Union Elect.	69

MINING NEWS

RTMZ acquiring Empress Nickel

BY KENNETH MARSTON, MINING EDITOR

OFFERS are being made by Rio Tinto Mining (Zimbabwe) for the shares not already beld in Empress Nickel Mining and Riotrust (a holder of Empress) because of the troubles being experienced by Empress and the future uncertainties facing the Zimbabwean nickel and copper producer.

The offers are: 60 RTMZ shares for every 100 Empress and 38 RTMZ for every 100 Riotrust. Meanwbile RTMZ is declaring an interim dividend of 9 cents (6p) but expects still to pay a total of 16 cents for the year; Empress 4 cents; and Riotrust 3 cents.

Production at Empress is being hit by mining difficulties and matters are not being belped by lower nickel and copper prices coupled with rising eosts. There is now no bope of paying tbe forecast total dividend for the year of 25 cents and a total of 16 cents now seems more likely.

New mining methods are to be tried and the lifa of the mine is not expected to extend beyond the already forecast eight years. It is presumed that a 16 cents dividend can be maintained for the next seven years.

Meanwhile, RTMZ has had another good quarter thanks to the buoyant prices of gold and emeralds. It brings earnings for the first nine months of the year to Z$3.98m (£2.65m), or 25.2 cents per share, compared with Z$2.25m in the same period of last year.

De Beers prospecting Middle Wits ground

DIAMOND prospecting operations are being carried ont by De Beers under an agreement with a subsidiary of Middle Witwatersrand (Western Areas) on the farm Venetia in South Africa's Zoutpansberg district.

Middle Wits and Anglo Transvaal Consolidated have respective interests of 65.6 per cent and 21.9 per cent in the subsidiary which holds the rights to precious stones. In the event of a discovery which warrants the opening of a mine De Beers is entitled to acquire these rights.

In such an event the benefits which would accrue to Middle Wits and Anglo-Vaal would depend on many factors, but provision is made for royalties to be paid to them on the profits derived from mining the precious stones, it is stated.

It is added, however, that no meaningful appreciation or assessment of the implications for the companies concerned can be made until further information is available.

MEEKATHARRA'S COAL RESERVES

Australia's Meekatharra Minerals says that assumed coal reserves at its Arckaringa Basin in South Australia are now put st more than 1.5bn tonnes compared with the 700m tonnea reported for the June qoarter.

Although cora sampling has not been sufficiently extensive to be representative of the whole deposit, analyses bave shown tha coal to be sub-bituminous.

The company adds that it could be suitable for nse in conventional power stations while maceral analysis had shown it to be also suitable for gasification and liquefaction.

INTERNATIONAL BONDS

BY FRANCIS GHILÈS

Swapping is all the rage

LAST WEEK brought little comfort to houses issuing *straight dollar bonds*: only one new issue was launched for All Nippon Airways and the $50m issue for Abitibi Price, announced the week before was cancelled. The latter event was attributed to the Canadian company's very poor results more than to the bond market's weakness.

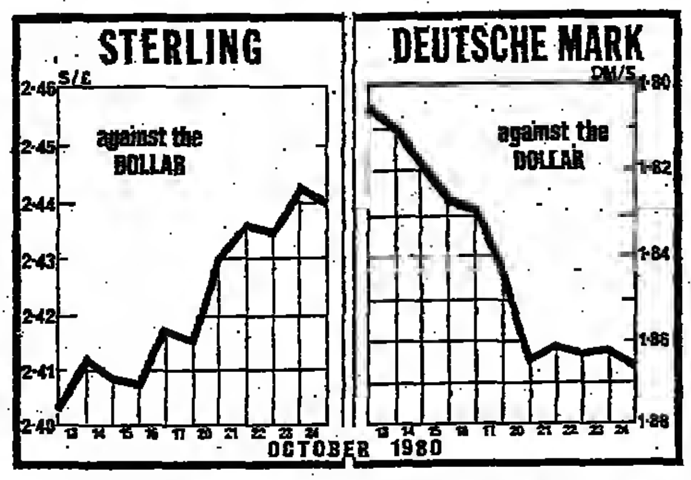
The only straight dollar issue which started trading last week, the 13¼ bond to 1992 for Trailor Train, quickly fell to a 3½ per cent discount from its price of 99. By Friday, however, the price had recovered to 95¾-96¼ after what many dealers described as heavy turnover.

Virtually all the straight issues launched in October are still standing at discounts of around 3 points, the one exception being the 12½ per cent bond to 1984 for Federal Business Development Bank, which *is standing at a discount* of slightly more than 1 percentage point from its price of par.

As Kidder Peabody's weekly telex to investors points out: "*Since October 1 s nominal* value of $745m has been offered and priced in the fixed income sector of the Eurobond market. Unfortunately, the present market value is only $713.47m, which equates to an average price per bond of 95.77."

Dealers agree that, at these lower levels, bargain hunters could be found who were prepared to buy paper. Such buyers however are not committing new funds to the market; rather they are *swapping. After* great new issue binges such as the one the market indulged in two weeks ago price anomalies inevitably develop.

Despite such activities, the turnover in the secondary market remains very low: many investors would like to see more clearly in which direction the U.S. economy is heading and who will be that country's next *President. Last* week the sharper than usual movements in currencies made them even more cautious. Overall prices dipped by ½ of a point on the week.



Convertible issues continue in favour with no sign of an end to the Indian summer they have been enjoying. A $70m convertible was launched for Tokyu Corporation last week. The convertible for Moran Energy was increased by $10m to $50m, while the issue for Ocli was accelerated.

The only recent convertible which has not been well received is the $25m bond for Turbo Resources: some bankers questioned in particular the marketability of this issue, which is only 25 per cent convertible. On Friday it was trading around the 95 level.

Nesbitt, Thomson Ltd., the London subsidiary of the Canadian investment house, ceased its Eurobond market making activities on Thursday and will reorganise itself so as to concentrate on marketing and trading in the areas where it has been active for many years, FRNs, and Eurobond issues for Canadian borrowers denominated in U.S. and Canadian dollars. This change has come about because Nesbitt feels it does not have sufficient capital to compete with the larger bond houses.

Prices were depressed throughout the week in the foreign D-Mark sector: a weakening currency, and the likelihood of much heavier government domestic funding as a result of the slowing of the economy, as well as a heavy new foreign D-Mark calendar, all took their toll. Most seasoned issues shed about 1¼ points.

Amid all this gloom the Midland International issue which was increased by DM 30m to DM 180m was six times oversubscribed: as a result allocations to underwriters were extremely tight. They were much less so when the Japanese Airlines issue was completed, because it was only comfortably subscribed.

The possibility of a fall in Japanese interest rates in the beginning of November made Electricite de France postpone the launching of its Y20bn Samurai bond issue, scheduled for last week until November 7. The coupon on this 12-year issue, arranged by Yamaichi Securities, was originally expected to be 8.6 per cent.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life Years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
††Banca Nac. Argentina	25	1987	7	6⊕	100	Daiwa (Europe)	6.060⊕
††Den Norske Creditbank	20	1990	10	6⊕	100	CSFB, Nordic Bank	6.183⊕
‡§Turbo Resources	25	1990	10	12½	100	Orion	12.891
‡†Soc. Gen. de Banque	100	1987	7	5¼⊕	100	CSFB, EBC, Soc. Gen. de B.	5.319⊕
†Com. Fed. de Elec.	75	1987	7	13	98¾	CSFB	13.285
‡Trailer Train	40	1992	7.55	13½	99	Manufctrs. Hanover	13.422
†Telefonica Nac. Espana	50	1990	10	6⊕	100	BNP, Dillon Read	6.060⊕
§OCLI Intl. Fin. NY	15	1995	—	9	100	Orion, Bateman Eichler	9.203
‖Abitibi Price	50	1990	10	13½	—	Wood Gundy	—
‡§Moran Energy Intl. NV	50	1995	15	8	100	Smith Barney, Bateman Eichler	8.000
†Kleinw't Benson Fin. BV	50	1991	9	5¾⊕	100	Kleinwort Benson	5.918⊕
§Toyo Menka Kaisha	20	1996	15	8	100	Nikko Secs. (Europe)	8.000
‡†ENEL (g'teed Italy)	100	1987	7	5¼⊕	100	Daiwa Securities	5.319⊕
§Tokyu Corp.	70	1995	15	7¾	100	Nomura Europe	7.900
All Nippon Airlines	40	1990	8	8.8	100	Nomura Europe	8.994
†BBL NV	100	1986	—	5⊕	100	CSFB	5.063⊕
D-MARKS							
‡B. Cen. Costa Rica	50	1985	5	10	100	DG Bank	10.000
‡**Teuern Autobahn	70	1990	10	8½	100½	Bay. Hypo, Bay. Landes, Bay. Vereins, WestLB	8.462
ESCOM (g'teed S.A.)	100	1987	7	9¼	100	Dresdner Bank	9.250
‡**Eurofima	50	1987	7	8¼	100	Bayerische Landesbank	8.250
‡Indl. Bank of Finland	50	1990	6½	8½	99¼	BHF Bank	8.615
‡Asian Dev. Bank	100	1990	10	8¾	100	Deutsche Bank	8.750
Venezuela	150	1990	8	9¼	*	WestLB	*
‡**Beneficial Finance NV	25	1985	5	8½	na	WestLB	n.a.
FRENCH FRANCS							
Westland-Utrecht	100	1985	5	14	100	CCF	14.000
SWISS FRANCS							
‡†Autopistas Aragonesa	32	1990	—	6½⊕	99	Soditic	6.593⊕
Oesterreichische Kbk.	100	1990	—	6⅛	100	Wirtschafts-und Prvtbk	6.125
‡**Dome Petroleum	100	1986	—	6	100	Credit Suisse	6.000
‡Superfos	50	1990	—	6¼	100	SBC	6.250
‡City of Vienna	100	1990	—	5⅞	100	Kredietbank (Suisse)	5.875
‡**§NGK Insulators	70	1986	—	5	100	UBS	5.000
‡**Hydrocarbons Bank	75	1984	—	6¼	100	UBS	6.250
‡World Bank	100	1990	—	6	100	Credit Suisse	6.000
GUILDERS							
Nationale Nederlanden	60	1987	5¼	10	99¾	ABN	10.051
YEN							
‡Korean Dev. Bank	10bn	1990	8	9	99	Nomura Securities	9.468
UNITS OF ACCOUNT							
Elsam	20	1987	7	10	100	Kredietbank Intl. Grp.	10.000

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ‖ Cancelled.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

Brazil chases German money

BRAZIL HAS *switched* its attention from France to Germany in its attempt to raise financial credits linked to export credit borrowing. German banks are being asked to raise a $152m syndicated credit to accompany DM 136m of export financing for the Porto Primavera hydro-electric project.

The credit, which is being led by Dresdner Bank, is in two tranches, each of $76m. One is a 10-year finance with a grace period of five years at a margin of 1⅞ per cent and the other an eight-year credit with four years' grace and a margin of 1⅞ per cent.

This latter portion surprised many bankers, since it is ½ per cent below the 1⅞ margin applied by French banks to a similar fund-raising exercise by Petrobras.

All the banks providing the funds are German, except for Morgan Guaranty, which is participating through its Frankfurt branch to establish a relationship with German suppliers of the project.

Brazil's renewed efforts to raise funds coincides with signs of a slight upturn in volume in the syndicated credit market *as borrowers and lenders hurry* to clinch deals before the end of the year.

Besides the Korea Development Bank $600m credit which was mandated on Friday night, terms on the forthcoming major loan for the National Bank of Yugoslavia should be finalised fairly soon. The borrower is meeting banks today in London to discuss the credit which is expected to be for around $300m over seven years with a margin of 1⅞ per cent over Libor.

German banks are also *discussing* a large credit for Yugoslavia on similar terms. As already reported the borrower sought a loan totalling DM 1.5bn, but the final amount is not fixed as talks continue over the extent of the readiness of the German export insurance agency, Hermes, to guarantee part of the borrowing.

In Morocco the $150m club deal for Office Cherifien des Phosphates is virtually complete. A large number of banks, including five U.S. institutions, are providing funds for the credit which is being arranged through Banque Marocaine du Commerce Exterieur.

Venezuela has finally begun to clamp down on the volume *of short-term borrowings* by public sector agencies, according to Sr. Carlos Zubillaga, the Director of Public Credit. He told the Financial Times he would present a "comprehensive overall plan" to bring order to the country's foreign borrowing when he meets bankers in London this week.

The plan would hit the raising of *new* short-term funds rather than rollovers of existing borrowings, Sr. Zubillaga said.

Two more Canadian dollar deals are being arranged for borrowers in Spain by Bank of Montreal following the success of its credit for Cia Sevillana de Electricidad. Iberduero is seeking C$100m and another electric utility, Fenosa, is looking for C$55m.

Both of the credits carry the same terms as the Sevillana borrowing, which may be raised to as much as C$100m from C$60m originally because of oversubscription. The terms provide for a ⅝ per cent margin over Canadian prime rate for nine years.

The interest shown in these credits by banks and borrowers alike is understood to have prompted Bank of Montreal to look at possibilities for similar loans in a number of other countries.

The long-awaited $350m aircraft financing package for the Portuguese airline, *TAP*, was awarded to Chase Manhattan, National Westminster and Banco Portugues do Atlantico on Friday. Besides Eximbank and ECGD finance, the package includes a $115m syndicated loan in two tranches.

The first is a $52.5m credit over 11 years with a margin of ½ per cent for the first four years, ⅝ per cent for the next four and ¾ per cent thereafter. The second is a $62.5m three-year credit with a margin of ½ per cent. Proceeds are to buy five Lockheed TriStars with delivery in 1983/84.

Elsewhere, Manufacturers Hanover is *arranging* a $100m credit for the Kingdom of Thailand to finance the purchase of naval patrol boats from Italy to control smuggling and piracy and protect offshore gas installations in the Gulf of Siam. The credit carries a margin of ⅞ per cent over eight years.

Manufacturers Hanover is also arranging a $130m credit for the Spanish car manufacturer, SEAT. The INI group unit is paying a margin of ⅝ per cent over U.S. prime rate.

U.S. BONDS

BY PAUL BETTS

Fears of Fed squeeze grow

THE TWO most widely watched U.S. weekly monetary aggregates, M1-A and M1-B, rose by an insignificant $386.8m and $410.9m respectively in the week ended October 15. But this did not prevent a hypersensitive market reacting nervously and sending short-term interest rates leaping further on Friday when the Federal Reserve reported the *latest money supply figures.*

Although in an academic sense there is widespread consensus that the market is over-reacting to *the* weekly monetary figures, the fact is that Wall Street continues to be worried by the central bank's monetary policy.

The latest economic and monetary data has heightened the *market's suspicion that the* central bank may squeeze money even further in the wake of what it sees as a stronger than expected strengthening of the economy coupled with little evidence of a slowdown both in the expansion of monetary growth and inflation.

These suspicions were apparently endorsed by the release on Friday of a *summary* of the September meeting of the Federal Open Market Committee, the body which reviews the Fed's day to day management of the Money market. The minutes of the meeting showed that the Fed had decided to tighten its monetary policies.

Last Tuesday, the Open Market Committee met again. Although its conclusions will not be released until much later, the market has been looking for further clues of possibly tighter Fed policies. But despite widespread expectations that the Fed would be squeezing money further, there has *so* far been no evidence of this.

In the bond market this week, the spotlight, according to Salomon Brothers, will be on the U.S. Treasury's latest funding announcement which is expected to *involve* a *total package of* $8.25bn to repay some $5bn in maturing issues and raise $3.25bn in fresh funds.

U.S. INTEREST RATES (%)

	Wk to Oct. 24	Wk to Oct. 17
Fed funds wkly. avge.	12.88	12.59
1-month Treasury Bills	11.10	12.40
3-month CD	13	12.45
30-year Treasury	11.63	11.30
Long-term AAA Util.	13.13	12.63
Long-term AA Indus.	12.63	12.00

Source: Salomon Bros., estimates

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10[illegible] 90	50	[illegible]	[illegible]	[illegible]	[illegible]	13.41
CECA 11[illegible] 88	100	[illegible]	[illegible]	[illegible]	[illegible]	12.64
Citicorp O/S Fin. 10 88	300	[illegible]	89	0	−1	12.88
Con. Illinois O/S 9[illegible] 88	150	[illegible]	[illegible]	0	[illegible]	12.99
Denmark 11[illegible] 90	100	[illegible]	[illegible]	0	[illegible]	13.04
Dome Petroleum 13[illegible] 92	50	[illegible]	100	[illegible]	[illegible]	13.51
EEC 11 85 (May)	75	[illegible]	[illegible]	0	[illegible]	12.75
EEC 11 85 (Aug.)	70	[illegible]	[illegible]	[illegible]	[illegible]	12.81
EIB 13[illegible] 90	100	[illegible]	[illegible]	0	[illegible]	13.23
Eksportfinans 9[illegible] 87	75	[illegible]	[illegible]	[illegible]	[illegible]	12.53
Elec. de France 10 88	125	[illegible]	[illegible]	[illegible]	[illegible]	12.38
Export Dv. Cpn. 12[illegible] 87	100	[illegible]	[illegible]	0	[illegible]	12.71
Export Dv. Cpn. 9[illegible] 88	150	[illegible]	[illegible]	[illegible]	[illegible]	12.76
Federal Dev. Bk. 12[illegible] 85	75	[illegible]	[illegible]	0	[illegible]	12.50
Fin. Exp. Credit 10[illegible] 85	50	[illegible]	[illegible]	0	0	12.99
Finland Rep. of 9[illegible] 86	100	[illegible]	[illegible]	[illegible]	0	13.18
Ford O/S Fin. 12[illegible] 85	250	98	[illegible]	[illegible]	[illegible]	13.10
George Weston 13[illegible] 87	30	†100	[illegible]	[illegible]	[illegible]	13.39
GMAC O/S Fin. 13[illegible] 86	100	[illegible]	[illegible]	[illegible]	[illegible]	12.85
GMAC O/S Fin. 12 87	100	[illegible]	[illegible]	0	[illegible]	13.10
Goodyear O/S 12[illegible] 87	75	[illegible]	[illegible]	0	[illegible]	12.83
Hudson's Bay 11[illegible] 90	75	92	[illegible]	0	[illegible]	12.92
IBM Canada 10[illegible] 85	50	[illegible]	95	0	[illegible]	11.88
ICI Fin. Ned. 11 83	100	[illegible]	[illegible]	[illegible]	[illegible]	12.65
Int. Harvester 12[illegible] 85	115	[illegible]	[illegible]	[illegible]	[illegible]	13.26
McGraw 13[illegible] 85	75	[illegible]	[illegible]	[illegible]	[illegible]	13.59
NatWest Ind. 13[illegible] 87	50	[illegible]	[illegible]	[illegible]	[illegible]	13.84
Nova Scotia 10[illegible] 90	50	[illegible]	[illegible]	0	0	12.94
OKB 10 85	50	[illegible]	[illegible]	0	[illegible]	12.45
Pemex 11[illegible] 88	100	[illegible]	[illegible]	[illegible]	[illegible]	13.33
Quebec Hydro 11[illegible] 92	100	[illegible]	90	[illegible]	[illegible]	13.25
Repsteel O/S 11[illegible] 88	100	[illegible]	[illegible]	[illegible]	−2	14.40
Roylease 11[illegible] 85	50	[illegible]	[illegible]	[illegible]	[illegible]	12.64
SNCF 12[illegible] 86	50	[illegible]	[illegible]	0	[illegible]	12.32
Sweden 12[illegible] 85	150	[illegible]	[illegible]	[illegible]	[illegible]	12.79
Swed. Ex. Cred. 12[illegible] 85	40	[illegible]	[illegible]	[illegible]	[illegible]	12.75
Swed. Ex. Cred. 12 83	50	[illegible]	[illegible]	[illegible]	[illegible]	12.84
Transamerica 12[illegible] 83	50	[illegible]	[illegible]	[illegible]	[illegible]	13.44
UB Finance BV 11 90	50	[illegible]	[illegible]	0	[illegible]	13.37
Unilever NV 9[illegible] 90	100	[illegible]	[illegible]	[illegible]	[illegible]	12.66
World Bank 9[illegible] 85	200	[illegible]	[illegible]	[illegible]	[illegible]	12.41
World Bank 10[illegible] 87	300	[illegible]	[illegible]	0	[illegible]	12.49

Average price changes... On day 0 on week −0[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10[illegible] 88 C$	60	[illegible]	95	[illegible]	[illegible]	12.08
CIBC 13[illegible] 85 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	13.70
CIBC 11[illegible] 85 C$	60	†94	[illegible]	[illegible]	[illegible]	13.13
Federal Dev. 11[illegible] 90 C$	60	[illegible]	[illegible]	[illegible]	0	13.37
Fst. Can. Inv. 10 84 C$	60	[illegible]	91	0	[illegible]	13.43
R. Bk. Canada 10 86 C$	40	92	[illegible]	0	[illegible]	11.92
Tordom Cpn. 13[illegible] 85 C$	30	†99	[illegible]	[illegible]	[illegible]	13.67
M. Bk. Dnmk. 9 91 EUA	26	[illegible]	95	0	0	9.85
SOFTE 8[illegible] 89 EUA	40	89	[illegible]	0	0	10.11
U. Bk. Nrwy 9[illegible] 90 EUA	18	[illegible]	[illegible]	[illegible]	[illegible]	8.57
Algemene Bk. 10[illegible] 87 Fl	400	[illegible]	[illegible]	[illegible]	[illegible]	10.15
Bk. Mees & H. 10 85 Fl	75	100	[illegible]	[illegible]	[illegible]	2.91
F. G. Hypo 9[illegible] 87 Fl	60	[illegible]	97	[illegible]	[illegible]	10.42
Heineken NV 10 87 Fl	75	[illegible]	[illegible]	[illegible]	−1	10.41
Nat. Inv. Bk. 10 87 Fl	75	[illegible]	[illegible]	[illegible]	[illegible]	10.20
Nat. Neder 9[illegible] 87 Fl	60	[illegible]	97	[illegible]	[illegible]	10.17
Neder Mdn Bk 10 85 Fl	75	[illegible]	[illegible]	0	[illegible]	2.38
Aero Paris 13[illegible] 87 FFr	150	[illegible]	[illegible]	[illegible]	[illegible]	13.77
CECA 14[illegible] 85 FFr	150	102	103	[illegible]	[illegible]	13.51
Finland 11 [illegible] FFr	80	[illegible]	[illegible]	[illegible]	[illegible]	14.01
Finland 11[illegible] 89 FFr	70	[illegible]	[illegible]	[illegible]	[illegible]	14.14
Gaz de France 11 84 FFr	150	[illegible]	[illegible]	[illegible]	[illegible]	13.31
IBM France 11[illegible] 84 FFr	120	[illegible]	[illegible]	0	[illegible]	13.82
Renault 9[illegible] 85 FFr	100	[illegible]	[illegible]	[illegible]	[illegible]	14.12
Solvay et Cie 9[illegible] 87 FFr	125	[illegible]	[illegible]	[illegible]	[illegible]	14.13
Utd. Mex Sts 14 85 FFr	150	[illegible]	[illegible]	[illegible]	[illegible]	14.20
Beneficial Fin. 14[illegible] 90 £	20	[illegible]	[illegible]	[illegible]	[illegible]	14.18
BNP 13[illegible] 81 £	12	98	[illegible]	0	0	13.80
CECA 13[illegible] 88 £	20	[illegible]	[illegible]	0	0	13.85
Citicorp O/S 13[illegible] 90 £	50	[illegible]	[illegible]	0	[illegible]	13.76
Fin. for Ind. 14[illegible] 88 £	20	101	[illegible]	[illegible]	[illegible]	14.17
Fin. for Ind. 13[illegible] 87 £	20	[illegible]	[illegible]	[illegible]	[illegible]	13.85
Gen. Elec. Co. 12[illegible] 89 £	50	[illegible]	[illegible]	[illegible]	[illegible]	13.28
Peugeot SA 14 90 £	23	[illegible]	[illegible]	[illegible]	[illegible]	14.14
Rothschild 14[illegible] 90 £	12	[illegible]	100	[illegible]	[illegible]	16.27
Swed. Ex. Cr. 15[illegible] 85 £	20	[illegible]	[illegible]	[illegible]	[illegible]	13.80
Sonatrac 8[illegible] 90 KD	7	[illegible]	[illegible]	0	0	2.75
CCCE 8[illegible] 91 KD	10	[illegible]	[illegible]	[illegible]	[illegible]	10.26
Sonatrach 8[illegible] 90 KD	12	[illegible]	[illegible]	0	0	2.89
Akzo 9[illegible] 87 LuxFr	500	[illegible]	[illegible]	[illegible]	[illegible]	10.78
Euratom 9[illegible] 88 LuxFr	500	[illegible]	[illegible]	0	[illegible]	10.34
Eurofima 10[illegible] 87 LuxFr	500	[illegible]	[illegible]	[illegible]	[illegible]	10.92
EIB 9[illegible] 88 LuxFr	600	[illegible]	[illegible]	[illegible]	[illegible]	10.21
Volvo 9[illegible] 87 LuxFr	500	[illegible]	[illegible]	0	0	10.87

DEUTSCHE MARK STRAIGHTS — SWISS FRANC STRAIGHTS — YEN STRAIGHTS — FLOATING RATE NOTES — CONVERTIBLE BONDS: [illegible]

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BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Oct. 24...	na	na	na	na
Oct. 17...	na	na	na	na
High '80...	93.58	(18/6)	89.19	(2/1)
Low '80...	86.32	(2/4)	71.54	(28/2)

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	2,210.8	2,424.2
Previous week	2,470.2	2,736.0
Other bonds		
Last week	622.2	629.8
Previous week	382.1	414.0

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on October 24

WORLD STOCK MARKETS

NEW YORK

CANADA

HOLLAND

HONG KONG

JAPAN

ITALY

NORWAY

SWEDEN

SWITZERLAND

SOUTH AFRICA

TEL AVIV

FRANCE

AUSTRALIA

AUSTRIA

BELGIUM/LUXEMBOURG

GERMANY

DENMARK

SINGAPORE

BRAZIL

Financial Rand US$0.96¼ (Discount of 27½%)

Indices

NEW YORK —DOW JONES

	Oct. 24	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 17	1980 High	1980 Low	Since Compil'tn High	Since Compil'tn Low
● Industr'ls	943.60	938.57	955.12	954.44	963.84	956.74	974.67 (22/9)	759.13 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	66.61	66.58	68.94	67.28	67.27	67.57	76.67 (25/6)	65.67 (28/3)	—	—
Transport	375.47	373.65	381.08	383.47	362.83	358.32	387.08 (22/10)	233.59 (27/3)	381.08 (22/10/80)	12.23 (8/7/32)
Utilities	112.74	112.85	115.07	112.85	112.74	112.35	115.08 (8/7)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
Trading Vol 000's	47,220	49,690	43,220	67,600	41,100	45,920	—	—	—	—

● Day's high 947.35 low 931.06

	Oct. 17	Oct. 10	Oct. 3	Year ago (approx)
Ind. div. yield %	5.35	5.66	5.66	5.11

STANDARD AND POORS

	Oct. 24	Oct. 23	Oct. 22	Oct. 21	Oct. 20	Oct. 17	1980 High	1980 Low	Since Compil'tn High	Since Compil'tn Low
‡Indust'ls	147.82	147.38	150.30	150.55	151.38	150.00	152.64 (15/10)	111.09 (27/7)	152.64 (15/10/80)	3.52 (30/6/32)
§Composite	128.85	129.53	131.82	131.04	132.61	131.52	133.70 (15/10)	98.22 (13/2)	133.70 (15/10/80)	4.40 (1/6/32)

	Oct. 22	Oct. 15	Oct. 8	Year ago (approx)
Ind. div. yield %	4.44	4.37	4.48	5.46
Ind. P/E Ratio	9.15	9.28	9.12	7.46
Long Gov. Bond Yield	11.80	11.41	11.48	10.30

N.Y.S.E. ALL COMMON

Oct. 24	Oct. 23	Oct. 22	Oct. 21	1980 High	1980 Low
74.30	74.69	76.06	73.98	77.24 (15/10)	52.30 (22/3)

Rises and Falls	Oct. 24	Oct. 23	Oct. 22
Issues Traded	1,531	1,921	1,906
Rises	723	378	725
Falls	703	1,184	748
Unchanged	45	359	433
New Highs	—	57	60
New Lows	—	13	9

MONTREAL

	Oct. 24	Oct. 23	Oct. 22	Oct. 21	1980 High	1980 Low
Industrial	385.74	396.25	406.46	407.03	413.30 (29/2)	325.27 (27/3)
Combined	369.36	370.10	377.33	377.32	378.90 (20/10)	286.95 (27/3)
TORONTO Composite	2370.2	2,323.1	2367.0	2364.4	2386.5 (20/10)	1792.5 (27/3)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Sony	1,143,700	14¼	−¼	IBM	464,000	68⅞	+½
Boeing	597,600	34⅞	+⅞	Phillips Petrlm.	408,500	53	+1⅞
Mrch.-Merrell	572,600	30¾	+7⅞	Burroughs	300,000	53⅞	+1
Texaco	495,900	39⅞	+⅞	Lucky Stores	364,400	75	+⅞
Weyerhaeuser	470,700	34¼	−⅞	Searle G. D.	363,300	20	−⅞

	Oct. 24	Oct. 23	Oct. 22	Oct. 21	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1/1/80)	1008.07	1011.88	1009.52	1007.98	1025.29 (20/10)	758.80 (2/1)
Metal & Minrls. (1/1/80)	8856.79	8820.00	8851.00	8857.82	7026.82 (20/10)	4581.28 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	67.19	57.42	57.44	67.47	68.49 (7/1)	65.58 (18/8)
BELGIUM						
Belgian SE (31/12/63)	88.81	88.16	87.74	86.98	106.75 (17/2)	85.95 (21/10)
DENMARK						
Copenhagen SE (1/1/73)	98.13	96.38	95.65	95.06	98.38 (23/10)	74.75 (5/6)
FRANCE						
CAC General (29/12/61)	115.80	(u)	(e)	116.4	117.6 (22/2)	97.1 (3/1)
Ind Tendance (28/12/79)	117.20	(u)	(e)	117.6	118.4 (18/3)	96.6 (6/1)
GERMANY						
FAZ-Aktien (31/12/58)	227.64	228.63	232.88	232.42	238.88 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	705.30	711.4	722.3	726.6	749.2 (25/2)	667.0 (27/3)
HOLLAND						
ANP-CBS General (1970)	86.5	87.0	87.3	87.8	88.6 (25/7)	74.0 (27/3)
ANP-CBS Indust. (1970)	64.8	65.8	64.6	65.2	68.2 (11/1)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1462.11	1434.82	1451.02	1394.48	1462.11 (24/10)	738.9 (16/3)
ITALY						
Banca Comm. Ital (1972)	173.39	169.64	167.65	163.91	173.39 (24/10)	65.11 (2/1)
JAPAN						
Dow Average (16/5/49)	7117.07	7180.89	7146.80	7135.86	7175.53 (20/10)	6475.93 (27/3)
Tokyo New SE (4/1/68)	493.57	494.81	495.12	497.12	497.86 (20/10)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	125.66	126.82	126.43	125.27	144.78 (14/2)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	683.48	671.82	670.24	683.42	671.32 (23/10)	433.75 (6/1)
SOUTH AFRICA						
Gold (1958)	883.8	909.0	923.8	926.3	1026.1 (22/9)	649.5 (2/7)
Industrial (1958)	657.4	655.1	652.2	627.7	655.1 (23/10)	466.0 (2/1)
SPAIN						
Madrid SE (28/12/79)	109.84	112.15	110.25	110.7	111.17 (15/9)	85.76 (13/5)
SWEDEN						
Jacobson & P. (1/1/58)	373.65	374.40	367.71	364.77	386.65 (6/2)	364.72 (17/1)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	301.9	304.5	303.6	304.9	317.0 (11/2)	275.0 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	758.6	158.9	753.9	751.0 (16/10)	128.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

FINANCIAL TIMES SURVEY
Monday October 27, 1980

Northampton

In common with other areas of Britain, Northampton has not escaped the general shake-out of labour. Nevertheless, substantial new manufacturing investment is being committed to the town and there is an upsurge of demand for factory and office accommodation in the area which, in recent years, has attracted more than 50 overseas companies or subsidiaries. ARTHUR SMITH reports.

Further industrial projects planned

NORTHAMPTON, against the gloom of mounting national economic recession, gives cause for optimism. Ironically, expansion of this overgrown East Midlands market town—an idea conceived optimistically by the 1966 Labour Government to help contain the expected npsurge of population and employment in the South-East that would follow "the white hot technological revolution" and the new dirigiste system of economic planning—*is now delivering benefits to* Mrs. Thatcher's free enterprise Government.

The town has not escaped the general shake-ont of labour; traditional industries, such as footwear, are shedding jobs. But new manufacturing investment is being committed, with more than 1.6m sq feet *of factories under coostruction* an upsurge in demand for office accommodation and a new town centre shopping development about to start.

The *initial impetus for such* rapid expansion might have come from heavy State investment in new roads, schools and houses, but growth has already gained a momentum of its own. The development corporation, established by a Labour Government, has adapted rapidly to the philosophy of the new Conservative Administration in selling off assets and harnessing private capital for new schemes.

Mr. Leslie Austin-Crowe, the general manager, believes expansion is already close to becoming self-financing. Government funds will be needed in the normal way for social and *welfare facilities*, such as schools and hospitals, but the development corporation should in the main be able to finance future industrial and commercial developments.

Mr. Austin-Crowe, appointed to the top job only this month after more than 11 years a chief estate surveyor with the task of attracting companies to the town, takes over at a time of some uncertainty. The Government has still to set the completion date to signal the winding down of the development corporations at the "third generation" new towns of Milton Keynes, Peterborough, Northampton, Telford, Central Lancashire and Warrington.

In 1968, wben Northampton, a town of 120,000 people some 60 miles north of London, was designated for expansion to help allevaite the problems of housing and overcrowding in the capital, the aim was for a population growth of more than 100,000 in little more than a decade.

Progress bas been dramatic. More than 7m sq ft of factories and warehouses bave been *completed, along with 1.4m* sq ft of offices and 800,000 sq ft of new sbops. New highways bave cut through the countryside and housing estates established as more than 18,000 jobs bave been created.

But by the middle of the 1970s the national economic climate had deteriorated with projections of population growth revised downwards and concern mounting abont the drift of jobs and people from the inner city areas. A fundamental review of new towns policy resulted in a decision by Mr. Peter Sbore, the Environment Secretary, in September, 1976, to reduce Northampton's target population from 230,000 to 180,000. A vagua date of the "mid-1980s" was set for achievement of that objective.

Keeping the figures in proportion

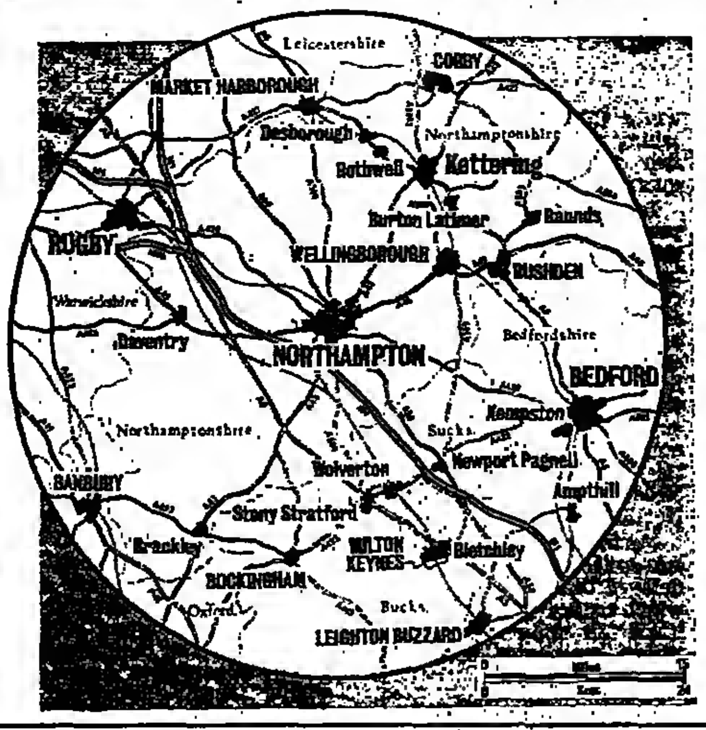
Northampton, currently with 157,000 people, is already only 23,000 short of target. But Mr. *Austin-Crowe is quick to move* away from the cold statistics and point out that modest as the target might appear in national terms it still *represents* the *creation of a new* town the size of Leighton Buzzard.

For the Government witb its commitment to the market economy, there must be concern about whether it is necessary to continue public intervention and finance through a development corporation to force more rapid growth in an area already guaranteed success because of its central position, astride the motorway network.

An additional factor for an Administration pledged to remove the distortions caused by regional assistance must he wbether Northampton should be given special treatment at a time when there is not only a sbortage of mobile industry, but when unassisted areas, such as the West Midlands, are suffering *from* serious structural unemployment.

Against such arguments Northampton can point to the fact it is now less dependent upon public funds because of the success in *disposing* of assets. The development *corporation has already agreed* terms for the sale of property worth £6.5m and expects to realise a further £8m to £9m in the current financial year. Provided the property market is sustained—and it bas been very strong until recent weeks—the sale of land and freeholds coupled with private sector investment should generate sufficient revenue to finance the remaining commercial and industrial development.

Supporters of the continued expansion of new towns sucb as Northampton point to their importance as generators of economic growth. Mr. Austin Crowe says that reports suggest one of the biggest problems for Britisb indnstry in finding good land and buildings. Northampton can offer the benefits of a mature infrastructure with established shopping, bousing and training facilities, plus greenfield factory and affice sites.



Northampton, it is argued, provides the rigbt enviconment for development of growth industries. The Northamptonshire Chamber of Commerce points out that there is already a strong representation of companies with an interest in microprocessor technology. Demand for small industrial units has shown no sign of easing as the recession bas gathered pace. Mr. Austin Crowe reports that all of the 31 1,000 sq ft units now under construction bave already been let—"This is the seedcorn of the future," he insists.

The town has also beeo successful in attracting foreign investment and claims that more than 50 overseas companies or subsidiaries representing 13 countries are operating in the area. Indeed, the development corporation maintains that 30 per cent of the land it bas leased in the past two years has gone to foreign companies.

Among recent arrivals are *Pitoro Labelling, a French printing* company, and Ronlunds Fabriker, of Denmark, wbicb has established a national fan-belt distribution centre. Festo Pneumatic, the 11th West German company to move to the town since expansion, took just 20 days from inspecting the premises to moving into the 9,000 sq ft accommodation which will pcovide a nationwide distribution and after sales service.

Peculiar to Northampton's expansion as an already established town has been the unique partnership arrangement between the Government-appointed development corporation and the local borougb council.

Benefits of a growing partnership

From an initial period of suspicion and mistrust, the partnership has blossomed to the point where even many of the original opponents of expansion would be sorry to see the development corporation wound up. Co-operation has been extended to the point of sharing offices and staff and promoting common programmes. With local government reorganisation in 1974, the partnership waa broadened to embrace the Northamptonshire Connty Council.

Government calls for cuts in public spending have undoubtedly caused strains but have not cbecked tbe momentum of expansion. The most immediate impact bas been on public sector bousing where the level of completions is expected to slump from around 800 this year to perhaps 250 within two years. Such a drop represents a serious jolt to the market.

The development corporation is bolding talks with developers to stimulate the private sector and provide homes for first-time buyers. But the sbarp decline in its own building programme will automatically impair its ability in future years to offer housing as an attraction to incoming firms. The extent to which that proves a real bandicap will depend upon the length and depth of tbe current recession.

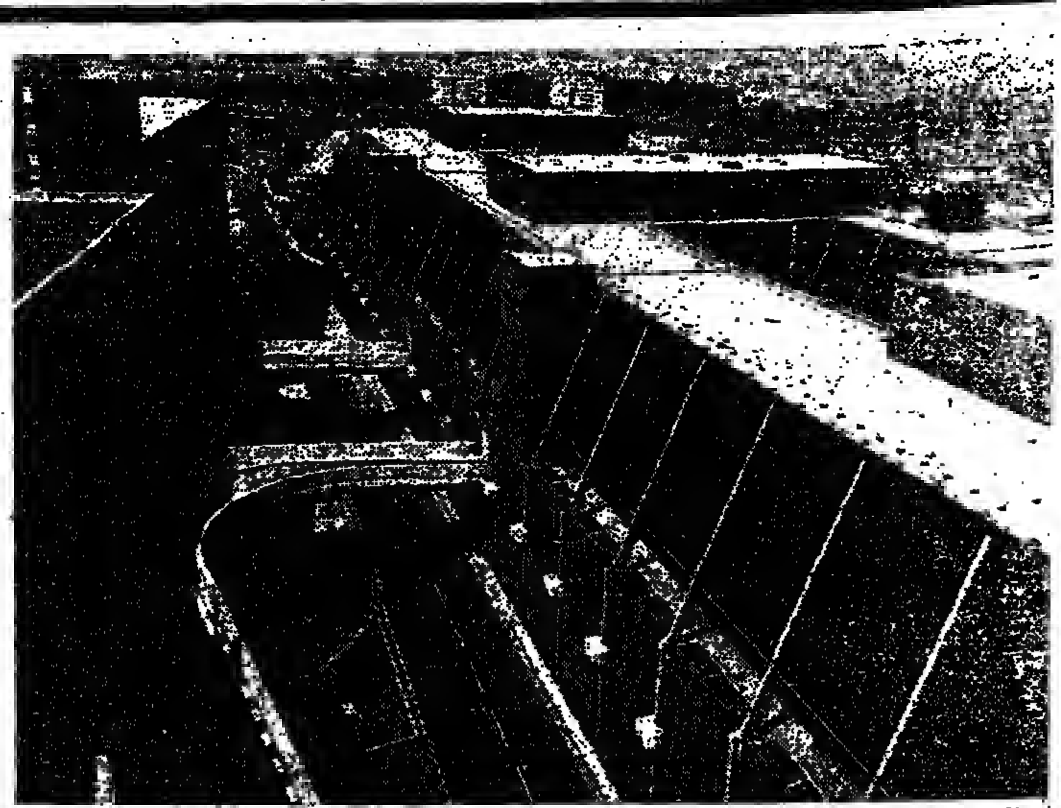
While, on one hand, the development corporation is attracting new companies and creating jobs at the rate of around 2,000 a year, labour is being shed across a wide range of existing *industry*. Light engineering, which has long since displaced footwear, as the principal industry, has been bit, in particular, by the problems of the vehicle sector and, in general, by the fall in domestic and overseas demand.

There is a recognition that in the difficult economic climate of the 1980s the development corporation may be working less to create job opportunities for the London overspill population and more to ensure continuing employment for workers already in the town. Such a shift in empbasis would serve only to underline the changed circumstances since Northampton was designated for expansion to relieve the pressure of the expected growth of jobs and population in the south east.

But Mr. Austin-Crowe expresses the hope that the Government will recognise the town's importance in pioneering changes and promoting growth industries. He comments: "If you have a winner, you don't stop it to give the others a chance. Make no mistake, Northampton is a winner."

NORTHAMPTON II

Award-winning rented housing at Southfields, Northampton. This development of 255 homes won a medal in the Department of the Environment's 1980 Awards for Good Design in Housing



Greyfriars House, Northampton, is a new office development of 160,000 sq. ft. above the town's bus station. Shopping and transport facilities are only minutes away

Northampton's geographic advantages appear to have delayed the impact of the recession, in comparison with other areas. The town is particularly well located for new office and warehouse developments.

Upsurge of interest in property market

"NORTHAMPTON is experiencing its own industrial revolution. It is the road port of the 1980s with access to the motorway network"—that is the enthusiastic view of Mr. Tony Hewitt, of Wilson and Partners, estate agents, whose Northampton office has already let more than 500,000 sq ft of industrial space this year.

He argues that Northampton is a natural choice for distribution operations, especially since it is located midway between London and Birmingham. More than 50 per cent of British industry and 57 per cent of the population lies within a 100 mile radius.

Recent examples of companies choosing Northampton as the centre for distribution include MFI, the furniture supplier, which has just completed a 600,000 sq ft building on a 31-acre site. Fisher-Price Toys, a member of the Quaker Oats group, has announced plans for a £1m head office and distribution centre on a 6.23 acre site, while UOP Bostrom is undertaking a £9m project to establish a new European headquarters.

Ironically, even during a period of recession Northampton can expect to attract warehouse projects. At such times, companies appraise operations and may choose to rationalise activities in one centre. For example, British Pepper and Spice, which processes and packs herbs and spices for supermarket chains and grocery outlets, has decided to relocate its three existing units at a 52,000 sq ft factory in Northampton.

Northampton's geographic advantages appear to have delayed the impact of recession which nationally began to make itself felt upon most manufacturing companies around last April.

Progress

Mr. Leslie Austin-Crowe, general manager of the development corporation, maintains that new development continued strongly into June and July.

"It is only in recent weeks that the recession has begun to have an effect. We are still getting as many inquiries but it is taking longer for them to be translated into actual commitments," he says. Such delays, caused by companies reassessing new investment projects, are normal during periods of economic downturn.

More than 1.6m sq ft of industrial accommodation, of which some 270,000 sq ft is speculative, is now under construction. Demand tends to be heaviest for small units of under 2,500 sq ft or for large complexes of over 50,000 sq ft. On average, rents have increased during the past 12 months from around £1.80 a sq ft to £2.10.

While Northampton's attractions to the private sector as a distribution centre are apparent, hopes for its development as an important provincial office location have not been fully realised. More than 1.5m sq ft of offices were built during the first decade of expansion but an important stimulus was provided by the demands of local government and the public sector following reorganisations.

From 1977, with the letting of the 60,000 sq ft Riverside House to Rockware, until recently the market was quiet. Ostensibly there was almost 300,000 sq ft of empty offices but this was confined in the main to three large blocks, the largest of which is Greyfriars House with 160,000 sq ft. Greyfriars, which the development corporation still hopes to let to a single tenant, is located above the bus station in the town centre and is expected to be suitable only for a large organisation wishing to move away from London.

But local agents report "a tremendous upsurge" in interest for offices over the last three to four months. Deals include the letting of 9,500 sq ft in a new development at The Parade, on the market square, to four tenants at £3.75 a sq ft. A further 50,000 sq ft has been taken up at Belgrave House, another town centre block that had stood empty for some time.

The changed climate has prompted new schemes including a project by Centros Properties for a 26,700 sq ft building next to the Barclaycard offices at Marefair. Asking price for the offices, which will become available next year, is likely to be £5 a sq ft—a considerable jump on present levels and a rental which reflects today's building costs. Plans are also well advanced for a 55,000 sq ft development at Cliftonville where a similar rent will be sought.

Viewpoints

Agents are not clear about the real reason for the sudden upturn in demand, but a popular theory is that companies under pressure first examine production, then distribution and, finally, head office costs. Such reappraisals lead to decisions to rationalise and possibly relocate operations outside London.

On the retail front, Northampton is also scheduled for important town centre projects. More than 830,000 sq ft of retail accommodation has been provided in the first decade of expansion, of which the most distinctive development was the 250,000 sq ft Grosvenor Centre. A further 50,000 sq ft extension which will incorporate a C & A store will shortly be opened.

Penwise Properties, according to Wilson and Partners, hopes to start work later this year on a retail and hotel development on the three-and-a-half acre Notre Dame site, in Abington Street, Northampton's prime shopping area. Negotiations are continuing with the local authority on the detailed plans but it is hoped to provide up to 110,000 sq ft of shops and a 60-bedroom hotel.

Mr. Hewitt insists the demand for shopping at what is a prime site is already evident. The new development would link to existing shops and the Grosvenor Centre to provide the central retail axis. After the Notre Dame development it is difficult to envisage any project of consequence for several years. Agents forecast a "settling down" period while traders adjust to the new accommodation.

Mr. Hewitt maintains that retail units throughout the town are easy to let and that a clear trading pattern has emerged with Grosvenor the prime location. Gold Street has emerged as an area for discount and specialist traders, while Bridge Street attracts restaurants and professional services, such as estate agents.

Northampton has a clear ascendancy in shopping facilities within the county, even though centres have been provided in recent years at Daventry, Wellingborough, Kettering and Corby. A clear rival to Northampton is Milton Keynes where a 1m sq ft shopping centre opened this year. Traders are watching the position carefully but believe Northampton, as an established town with one of the largest open market squares in Europe, has a sufficiently distinctive character to hold its own. The normal pattern is for people to shop at the largest centre within around 20 to 30 minutes' travelling time. This would mean Milton Keynes attracting some of the people to the south of Northampton. Equally, Leicester, which enjoys a high reputation as a shopping centre, will attract people north of the town.

Within the town centre, retail units are thought to be trading profitably and it would not justify a developer, at least for the next few years, attempting to assemble a site with a view to demolition and rebuilding. The borough council, however, will today hold a special meeting to decide whether to press ahead with plans to build a recreational and cultural complex, likely to cost around £8m.

The Derngate Project, linked to the existing Royal Theatre would provide a 1,500-seat multipurpose hall suitable for musical performances or spectator sports. The scheme is likely to meet with some opposition from the minority Labour Party, but Mr. Cyril Benton, the Conservative leader of the council, argues that much of the finance for the project could be raised by selling off property, such as the freeholds on industrial estates.

Another project, but this time suggested by the development corporation, is for a leisure and recreation complex which would include a new stadium for Northampton Town Football Club. The aim would be to attract a private developer to finance the scheme as part of an out-of-town shopping centre near to the M1 motorway. The retail content would be considerably smaller than the 220,000 sq ft Weston Favell district centre to the east of Northampton. Too large a development could clearly pull trade from existing shopping areas.

The retail and leisure scheme is scheduled within the next five years as part of the development of the southern district, the next major area for expansion.

Job prospects for school-leavers in Northampton have been particularly disheartening this year. Nevertheless the authorities are providing a quick response to combat this emerging problem.

Anxiety among school-leavers

FOR 17-year-old Michael Marshall and 16-year-old Sheelagh Clancy it is something of a surprise to be back at school. Both left Thomas Becket—a Northampton upper school with around 770 pupils—last June, confident they would find a job.

Michael, well-groomed and articulate, explains: "I went for about 20 jobs. For most of them I managed to obtain an interview, but every time it was a case of being told get more qualifications or more experience."

Disappointment, he says, turned to despondency and then determination.

"I could not believe I was so useless. I decided to come back to school and obtain more qualifications for the future." Many of his friends, he reports, are still unemployed. They can earn beer money by working in cafes or pubs.

Sheelagh, a shy, pretty girl, wanted to be a telephonist or work in an office. She gave up and came back to do a course in commerce. About six of her schoolmates, who left at the same time, are still unemployed: "Their mothers won't let them sign on the dole," she says. "They mess around in town."

Even in Northampton, a prosperous town attracting new growth industries and where the post war complaint has been one of labour shortages, there is an emerging problem of youth unemployment. Overall, the level of jobless at 6.4 per cent is still well below the national average of 8.3 per cent.

But Mr. Brian Carr, Principal Careers Officer for Northamptonshire County Council, says: "We would be kidding ourselves to say the speed at which the recession hit did not take us by surprise."

Prospects for school leavers deteriorated rapidly from about April, he maintains. By last month, only 60 per cent of the school leavers had found jobs, compared with 80 per cent at the same time last year.

After a disappointing search for jobs, Sheelagh Clancy, aged 16 (left), and 17-year-old Michael Marshall are back at school. They hope that further qualifications will improve their job prospects.

The official breakdown shows that of the 2,541 leavers, 1,532 had found jobs, 436 were registered unemployed, the position of 335 was unknown, 45 had left the district and 193 were on the Manpower Services Commision Youth Opportunities Programme.

The Northamptonshire Education Committee has responded to the problem by allocating £150,000 to provide additional courses to help the young unemployed.

Mr. Carr expresses confidence in the Manpower Services Commission guarantee that by next Easter every leaver will have been offered a job or a place under the Youth Opportunities Programme will have been honoured.

"For the last couple of years it has been relatively easy. We are going to be pushing it hard this time," he says.

Mr. David Butlin, fifth form tutor at Thomas Becket and and the man responsible for advising leavers about job prospects, maintains that this year has been particularly "disheartening."

Experience suggests that 16-year-old pupils retain their enthusiasm to find a job for perhaps six weeks before apathy and cynicism begins to emerge and they run the risk of joining the "professional unemployed."

He warns of the further danger that once pupils believe employment prospects are restricted the motivation to achieve at school may be lost.

Mr. Carr takes up the point. He argues that the situation has to be monitored and the message put across to pupils that most of their schoolmates do, in fact, find jobs. He cites the case of Corby, 15 miles away, where the rundown of the steelworks had lead to large scale unemployment.

Opportunities

"There, we were able to tell leavers that, regardless of the overall position, three out of four of their schoolmates did find jobs," he says.

Mr. Butlin expresses a fear that the cutback in job opportunities could lead to reduced expectations by pupils. "Some of the talented students, rather than going on to university, seem to be opting for technician apprenticeships. That, in return, reduces prospects for pupils who could normally have expected to pursue such a career. At the end of the day there are not enough jobs to go round and we could be storing up the social problems of the future," he believes.

Thomas Becket is one of the schools pioneering a foundation course under which fifth form leavers return for a 12-month period during which they aim to pick up five O-levels.

But at least one day a week is spent pursuing a "vocational interest." A pupil interested in a career in, say, banking, the hospital service or industrial management is able to gain work experience in the appropriate environment.

For Northampton, the problem of youth unemployment might have come as a surprise, but there can be no questioning the determination to provide a quick response.

NORTHAMPTON III

Northampton is the traditional home of the UK footwear industry. This profile examines one long-established company with a record of success in home and overseas markets.

Craftsmen with a worldwide reputation

Despite the problems facing Britain's footware industry, some manufacturers—such as Church of Northampton—are winning valuable export orders

MR. JOHN CHURCH, managing director of Church and Co., the Northampton - based manufacturer and retailer of quality shoes, is a modest, quietly spoken accountant. But he is emphatic about the reason for the company'e success in both home and overseas markets. "We have a history of quality. Shoes have heen made here in Northampton by skilled craftsmen for more than a hundred years. If I gave you £10m and said make shoes like Church's, yon couldn't. Yon would not bave the lahour and the skills."

Indeed, even in Northampton, the traditional home of the UK footwear industry, the Church company is recognised as something exceptional in terms of quality leather and craftsmanship. The 450 workers at the men's footwear factory set amid the terraced streets of St. James take a pride in the product.

Open Door

The spirit of the family firm established by the three Church brothers in May 1873 survives. Workers know the "open door" management policy. operated hy Mr. John Cburch and his cousin, Ian, who is group chairman, means they can carry any problems straight to the top. The factory is very much part of the St. James community, with sons tending to follow fathers and other members of the family into the trade. "Yes," John Churcb smiles, "I think you might say we almost have dynastic elements within the factory."

The workforce tends to be ageing, as wages within the footwear industry have usually been lower than those offered by nearby engineering concerns. But Mr. Church reports a satisfactory inflow of young recruits, particularly in recent months as employment prospects within the town have deteriorated.

The St. James factory, where full-time employment has been maintained, is something of an exception in an industry hit hy a slump in UK demand and mounting imports. Northampton has not escaped its share of closures and redundancies at a time wben nationwide 6,000 jobs in the industry have been lost this year and more than one in ten workers are currently on sbort-time.

Mr. Church points out that more than 50 per cent of the factory's ontput is exported and it has been possihle to offset some of the decline in UK demand by boosting overseas sales. The philosophy is simple: "there are discerning people in markets throughout the world who are prepared to pay for a quality product," he declares.

Even for Church, while it has avoided the cuts in production capacity implemented by many others within the trade, it is a question of maintaining existing manufacturing rather than looking for expansion. The growth that has taken the group to an annual turnover of around £30m has been achieved on the retail side with the number of shops nearly doubling from 80 to 156 over the past decade.

Mr. Church explains: "Quite simply, the profit margins on manufacture over the past 10 years have not been high. Margins on shoe retailing have." The point is underlined by last year's results, which show that UK retailing accounted for 62 per cent of the group profit hefore taxation. By contrast, manufacture and wholesaling, while providing 44 per cent of turnover, returned only 25 per cent of profit.

Manufacturing operations are organised within the Church and Co. (Footwear) subsidiary. In addition to the St. James factory around 150 workers are employed at another Northampton site making women's shoes. Another suhsidiary, Joseph Cheaney and Sons, a quality men's footwear company at nearhy Deshorough, was acquired in 1967 and employs 200.

Expansion

The company long ago realised the value to its high grade image of establishing a presence in retailing, buying a shop on New York's Madison Avenne in 1929. Only this month the neighbouring sbop was acquired to make possihle a considerahle expansion. Another four shops in large cities and a wbolesaling business gave the Church group a turnover in the U.S. last year of more than £1.5m. A Canadian-hased subsidiary operates 24 shops and a small factory. A Paris sbop was opened last year and there are three retail outlets in Belgium.

Retail operations in the UK are again geared towards upmarket footwear. The biggest chain is A. Jones and Sons, which had 26 shops wben it was bought in 1955 hut now has 107 outlets after rapid expansion in recent years. Another company, R. P. Ellen, with 15 sbops in and around north and east London, was bought two years ago to extend the group's geographical spread. Church also leases 59 departments in UK stores such as Austin Reed to sell men's shoes.

The trend by footwear manufacturers to expand retail activities reflects not only the potentially higher margins but also a defensive reaction to the power of the multiples to hold down the price paid to the producer.

By concentrating on a specialist sector to some extent, Church is cushioned from the vicissitudes of a highly cyclical fashion-orientated industry.

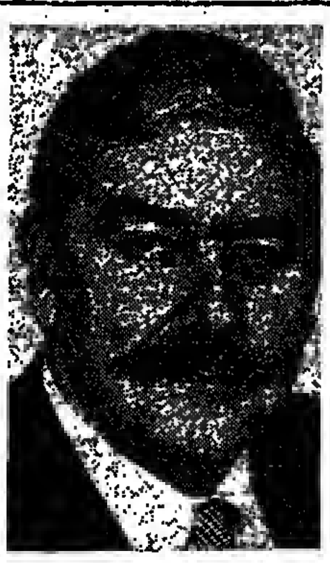
Mr. Church, while acknowledging that his company offers traditional products such as English brogues, nevertheless stresses the importance of good design to keep ahreast of fashion and styling changes, particularly for export markets.

The range of sboes offered will vary from country to country according to local preferences. For Japan, for example, which has emerged as an important market in recent years, special lasts had to be made. The Japanese foot is sborter but wider than the European.

Direct exports by Church totalled nearly £4m last year, with the U.S. and Common Market countries providing the principal outlets. But in the pursuit of new fields agents are currently being appointed in South America. Every foreign customer who opts for the Church "Made in Northampton" brand ensures continued employment for the craftsmen back at St. James.

PROFILES: Leslie Austin-Crowe/Alan Parkhouse

Taking an optimistic view



Mr. Leslie Austin-Crowe

Mr. Alan Parkhouse

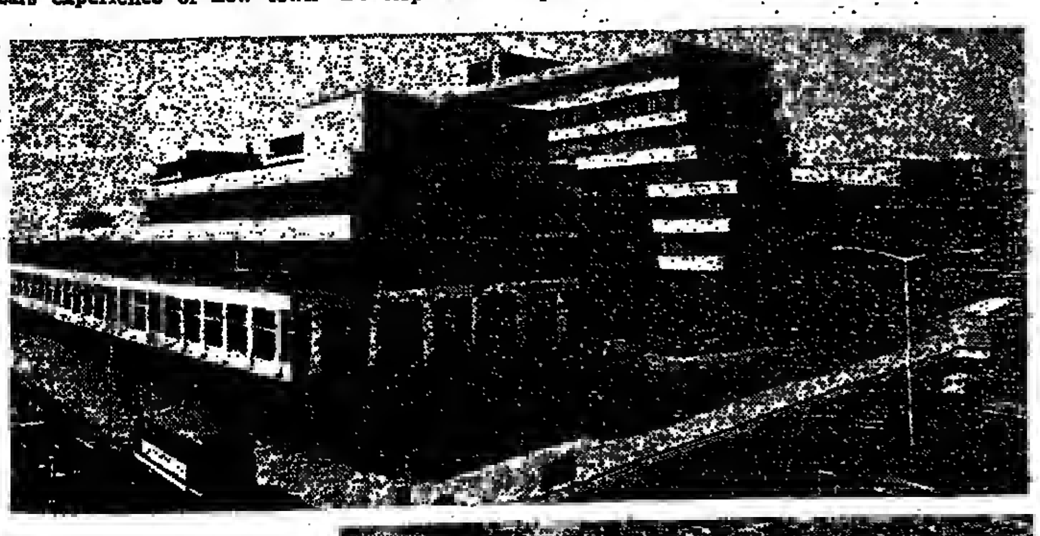
MR. LESLIE AUSTIN-CROWE, a somewhat flamboyant moustachioed personality prone to hearty laughter, could prove the optimistic character that Northampton needs. He took over this month as general manager of the Development Corporation at a time wben the town is emphasising its importance as an engine for economic growth and supporter of free enterprise initiative rather than as an instrument to ease the social problems of the London conurbation.

The job of general manager ef a development corporation which must work in partnership with the local horough council and the Northamptonshire County Council requires the skills of a diplomat. Mr. Austin-Crowe, 52, follows a healthy bnt sceptical line, laughingly bemoaning tha fact that bis political passions have been dissipated hy age.

His convivielity and willingness to chat about the problems and concerns of the local populace masks a professionalism bred of many years experience of new town expansion. He was appointed chief estate surveyor for Northampton in June 1979 and has been the key figure in promoting the town and negotiating with prospective employers.

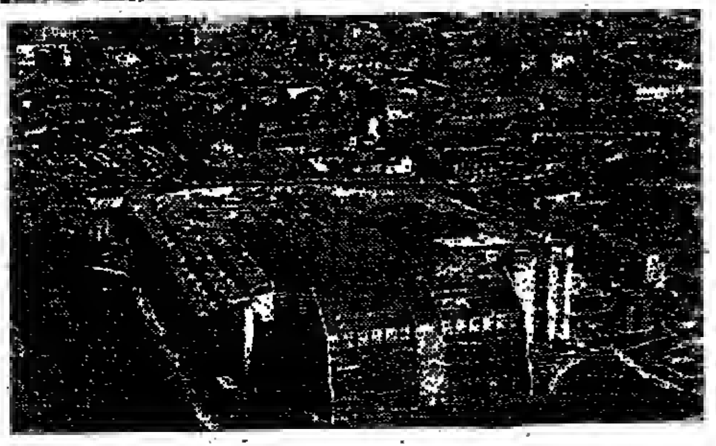
He joined Northampton after seven years as a deputy director of development at Basingstoke, e market town scbeduled to triple its 25,000 population under a partnership arrangement between the Greater London Council, the Basingstoke local authority and Hampshire County Council. That appointment followed a nine-year period with Harlow Development Corporation as estates surveyor.

Mr. Austin-Crowe puts up a convincing case for Northampton Development Corporation to continue its role of promoting growth. Bnt he is fairly philosophical about the prospect of the Government calling an end to State-backed expansion. "I know the town is growing and prospering. I would hope that at the end of the day we would leave quietly so that no one would notice. Expansion might have been dramatic hot in the history of a town mentioned in the Domesday Book the growth period is but the hlink of an eye."



▲ ABOVE

Barclaycard was one of the first firms to set up in the "new" Northampton in 1972. Barclaycard House, nbove, a development of 230,000 sq ft. is one of the largest office buildings outside London



RIGHT ➤

A view, looking north towards Northampton's town centre; in the foreground is Carlsberg's lager brewery

Town's man of vision

MR. ALAN PARKHOUSE speaks with a slight Lincolnshire accent, presents an argument with the enjoyment of a man who gained a first in jurisprudence at Oxford, but knows Northampton better than most. As Chief Executive and Town Clerk to the Borough Council that be joined in 1949, his desk in an office at the top of one of the hlocks now common to the Northampton Skyline, is clear of papers. He knows the personalities, the nuances of any situation and can always turn np the facts in his efficient filing system.

He points to the photograph on one wall of the extensive office which shows Northampton as it was when he joined —one of those provincial out-posts, prosperous and full of character but maintaining a market town mentality.

On the opposite wall is an aerial view of the new Northampton where modern offices and multi-storey car parks stand stark against the meture buildings of a more relaxed age.

On a third wall is a modern painting—"that reminds me of the pledge I made when the town was first designated for expansion," he says. "I boped to see, on average, four overhead cranes in operation until the job was finished."

The pace has since slackened, but not Mr. Parkhouse's enjoyment of the rapid chanse that has been effected. From a position where the Conservative-controlled council of 1968 viewed thc establishemnt of a Government-appointed Development Corporation with concern and mistrust, a real spirit of partnership and co-operation has evolved.

Mr. Parkhouse welcomes the fact that the sharing of officers and the speed of growth made it possible for the town to recruit talented engineers and administraters . . . "on two occasions we have built the hridges first and then changed the course of the river to flow under them."

The Government is currently reviewing its new town policy and the date at which it will dishand Northampton's Development Corporation. Consensus view seems to he the mid-1980s.

"That would suit me fine because I reach 65, retirement age. In 1986," Mr. Parkhouse smiles.

INTL. COMPANIES & FINANCE

Kobe Steel forecasts 30% gain in first half

TOKYO—Kobe Steel, Japan's fifth largest steelmaker, estimates that its profit before-tax and special items in the first half ended last month will be about Y30bn ($143m), or 30.7 per cent more than the Y22.95bn earned in the same period the previous year, Mr. Kokichi Takahashi, president of the company, said.

Sales are thought to have reached about Y580bn ($2.8bn), up from Y485bn. The company is expected to report its business results for the half on November 13.

The company attained the first-half performance on the back of strong demand for steel products from customers such as vehicle manufacturers and shipbuilders, Mr. Takahashi commented. The company had made an exchange profit of Y8bn in the half.

For the full-year, the company expects to achieve profits—before tax and special items—of Y50bn, and sales of Y1,200bn, compared with Y46.63bn and Y1,020bn, respectively.

Reuter

Caesar's World chiefs quit over licence ruling

BY DAVID LASCELLES IN NEW YORK

THE CHAIRMAN and vice-chairman of Caesar's World, one of the largest gambling and entertainment companies in the U.S., resigned over the weekend so that their company could qualify for a full licence to operate its new casino in Atlantic City, New Jersey, the only legal gambling centre in the U.S. outside Nevada.

Mr. Clifford Perlman and his brother, Stuart, who founded Caesar's, had been accused of links with organised crime. New Jersey's Casino Control Commission ruled last week that it would only issue a permanent licence if the two men severed all links with the company and sold their stock Between them they own 18 per cent.

Caesar's had been operating its casino in Atlantic City on a temporary licence which expired last night. Although the commission's conditions were severe, the Atlantic City casino holds out such a lucrative prospect that the Perlmans were evidently prepared to comply.

They may, however, appeal the commission's findings that they lack the "good character, honesty and integrity" to be gaming licensees. Caesar's Atlantic City's third casino in two years, has been grossing $500,000 a day and contributed nearly half of the company's earnings.

Modest rise at NY Times

By Our Financial Staff

NEW YORK TIMES newspaper lifted net earnings by a modest 3 per cent in the third quarter to $7.99m or 66 cents a share compared with $7.70m or 65 cents in the same period last year. Sales revenue moved ahead at a higher rate of 9 per cent

● Southam Inc, Canada's second largest newspaper chain with interests in book retailing and general printing earned C$22.1m (US$18.9m) or $1.77 a share in the first nine months against C$20.7m or $1.66 a year earlier.

Korean bank to raise $600m Eurocredit

BY PETER MONTAGNON

THE Korean Development Bank is to raise a $600m Eurocredit, the first major borrowing in international markets by South Korea since the political unrest this summer.

A mandate to arrange the borrowing was awarded late last Friday to Bankers Trust, which has already begun approaching other international banks about possible participation in the credit. The terms are only slighly more expensive to the borrower than those paid by Korea at the start of this year.

The credit bears a margin of ⅞ per cent over London interbank rates for eight years. There is a flat management fee of ⅞ per cent, which will be shared by all the banks in the management group.

Bankers Trust, is arranging the loan but, unusually, will not receive any special fee for doing so.

In March, the Korea Exchange Bank negotiated a $500m credit with a margin over interbank rates of ⅞ per cent for the first three years and ⅞ per cent for the remaining five.

Given the severe political unrest which broke out in the country this summer, some bankers had been expecting the new Korean Development Bank credit to show a substantial hardening of terms.

However, the favourable conditions which it has been able to obtain are understood to be dictated by the wish of a number of leading international institutions to demonstrate their continuing support for the country.

A further indication of this is that Bankers Trust will seek to persuade a very large management group of participating banks to join the credit.

The mandate had been expected to emerge several weeks ago, but it was delayed because of the death sentence passed by a Korean court on leading opposition dissident Kim Dae-Jung, who is now appealing.

Singapore group in Australian deal

CANBERRA — Australian Government approval has been given for a land purchase on the Gold Coast, the Australian tourist resort, involving Robin Holdings, of Singapore. Robin was refused approval to make the purchase itself, on the grounds of the bid coming from a wholly foreign-owned company.

Mr. John Howard, the Treasurer, said that the bidding company, Honiton Pty, was 50 per cent owned by Robin Holdings and 50 per cent by an Australian resident. It was the intention of the company, he said, to develop the 1,545-hectare property for subsequent sale to Australians over a 10-year to 15-year period.

The development of the property was expected to bring benefits to Australia in the shape of additional housing accommodation and the provision of opportunities for more jobs.

AP-DJ

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Acrow	Nov. 6	Int. 1.5	*Hepworth (J.)	Oct. 30	Final 3.0
Akroyd and Smithers	Nov. 22	Final 15.0	Hill Samuel	Nov. 14	Int. 1.834
Allied Irish Banks	Oct. 31	Int. 2.75	*Kwik Save Discount	Nov. 20	Final 2.2
Anderson Strathclyde	Nov. 22	Int. 1.0	Land Secs.	Nov. 15	Int. 2.5
Assoc. Brit. Foods	Nov. 5	Int. 1.1	London and Mid. Inds.	Nov. 8	Int. 2.3
ANZ	Nov. 18	Final 12.0	*Lucas Inds.	Nov. 10	Final 8.433
*BPB	Nov. 15	Int. 4.0	*Mallinson-Denny	Oct. 29	Int. 1.5
*Bank of Ireland	Nov. 6	Int. 7.5	*Metal Box	Nov. 24	Int. 8.47
*Beecham	Nov. 19	Int. 2.88	Peals and Whites	Nov. 22	Int. 1.75
*Bell (A.)	Oct. 29	Final 3.52	Powell Duffryn	Nov. 22	Int. 4.25
*Boots	Nov. 13	Int. 2.875	Readicut Intl.	Nov. 7	Int. 0.55
Brit. & Comm. Shipping	Nov. 15	Int. 6.5	Redland	Nov. 22	Int. 2.67
British Sugar	Nov. 15	Final 5.885	*Reed Intl.	Oct. 28	Int. 4.0
Brockhouse	Nov. 22	Final 2.65	Renold	Nov. 22	Int. 2.8
Burton	Nov. 21	Final 7.0	Rothmans Intl.	Nov. 22	Int. 1.0
Capital and Counties	Nov. 23	Int. 1.0	Sainsbury (J.)	Nov. 7	Int. 3.0
Chloride	Nov. 14	Int. 1.7	*Sketchley	Nov. 4	Int. 2.8
*Coats Patons	Oct. 30	Int. 1.4	*Smiths Inds.	Nov. 11	Final 2.136
Courtaulds	Nov. 22	Int. 2.888	Smith (W. H.)	Nov. 13	Int. 2.0
De La Rue	Nov. 13	Int. 6.6	Tesco	Nov. 21	Int. 2.0
Eastern Produce	Oct. 19	Int. 1.4	*Toxer Kemsley Milbourn	Oct. 28	Int. 1.59
French Kier	Nov. 22	Int. 0.95	Unilever	Nov. 14	Int. 8.94
Great Prtlnd. Ests.	Nov. 19	Int. 1.0	Wedgwood	Nov. 21	Int. 1.75
*Hambros	Nov. 20	Int. 52.5	Whitbread	Nov. 3	Int. 1.494
*Harrisons & Crosfield	Oct. 28	Int. 7.5	Wiely.-Hughes	Nov. 9	Final 2.764

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Public Works Loan Board rates

Effective from October 18

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13	13	13	14	13⅞	13½
Over 5, up to 10	13	13¼	13⅜	13¼	13⅝	13⅞
Over 10, up to 15	13⅜	13⅝	13⅜	13⅞	13⅞	13⅞
Over 15, up to 25	13⅜	13¾	13⅜	13⅞	13⅞	13⅞
Over 25	13⅞	13¼	13¼	13⅞	13⅞	13¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

BASE LENDING RATES

A.B.N. Bank	16 %	■ Hambros Bank	16 %
Allied Irish Bank	16 %	■ Hill Samuel	§16 %
American Express Bk.	16 %	C. Hoare & Co.	†16 %
Amro Bank	16 %	Hongkong & Shanghai	16 %
Henry Ansbacher	16 %	Industrial Bk. of Scot.	16½%
A P Bank Ltd.	16 %	Keyser Ullmann	16 %
■ Arbuthnot Latham	16 %	Knowsley & Co. Ltd.	18 %
Associates Cap. Corp.	16 %	Langris Trust Ltd.	16 %
Banco de Bilbao	16 %	Lloyds Bank	16 %
BCCI	16 %	Edward Manson & Co.	17 %
Bank of Cyprus	16 %	Midland Bank	16 %
Bank of N.S.W.	16 %	■ Samuel Montagu	16 %
Banque Belge Ltd.	16 %	■ Morgan Grenfell	16 %
Banque du Rhone et de la Tamise S.A.	16½%	National Westminster	16 %
Barclays Bank	16 %	Norwich General Trust	16 %
Bremar Holdings Ltd.	17 %	P. S. Refson & Co.	16 %
Brit. Bank of Mid. East	16 %	Rossminster	16 %
■ Brown Shipley	16 %	Ryl. Bk. Canada (Ldn.)	16 %
Canada Perm't Trust	17 %	Schlesinger Limited	16 %
Cayzer Ltd.	16 %	E. S. Schwab	16 %
Cedar Holdings	16 %	Security Trust Co. Ltd.	17 %
■ Charterhouse Japhet	16 %	Standard Chartered	16 %
Choulartons	16 %	Trade Dev. Bank	16 %
C. E. Coates	16 %	Trustee Savings Bank	16 %
Consolidated Credits	16 %	Twentieth Century Bk.	16 %
Co-operative Bank	*16 %	United Bank of Kuwait	16 %
Corinthian Secs.	16 %	Whiteaway Laidlaw	16½%
The Cyprus Popular Bk.	16 %	Williams & Glyn's	16 %
Duncan Lawrie	16 %	Wintrust Secs. Ltd.	16 %
Eagil Trust	16 %	Yorkshire Bank	16 %
E. T. Trust Limited	16 %		
First Nat. Fin. Corp.	18 %		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	16 %		
Antony Gibbs	16 %		
Greyhound Guaranty	16 %		
Grindlays Bank	‡16 %		
■ Guinness Mahon	16 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%, 1-month deposits 14½%.
† 7-day deposits on sums of £10,000 and under 14%, up to £50,000 14½% and over £50,000 14¾%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14½%.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley 051 548 6555	13½	½-year	1,000	4-5

CURRENCIES, MONEY AND GOLD

A less taxing week than expected

BY COLIN MILLHAM

Conditions were very tight in the London money market last week, but probably not as difficult as expected. The call on 12 per cent Exchequer 1996 contributed £425m to a severe shortage on Friday, but throughout the week the major problem was payment of VAT and some PAYE which was only offset on Thursday by disbursements to local authorities of £360m rate support grant.

Payment of VAT was a major factor in calculating the shortage on the week, and although the sums involved were considerable it seems possible that the amount was offset by a lower level of company destocking than anticipated.

Recent VAT payments have been swollen by the lack of raw material purchases from companies hard hit by the recession and resorting to large-scale destocking. Although industry in general is still running down stocks some sections of the economy may once again be reducing their VAT payments by buying stock and in an indirect way helping to ease the shortages in the money market.

Funds were hard to find however, and despite the efforts of the authorities to reduce interest rates by offering to buy eligible bank bills outright on Wednesday, the market was rather disappointed with this tactic. At times of high yields, and at least the prospect of falling interest rates, the discount houses would prefer to buy back the bills in the future under a repurchase agreement.

In the event the houses sold only a small number of bank bills, preferring to borrow and thus keep rates up.

Another factor behind the high level of interest rates was the demand for Eurosterling which was reflected in the domestic interbank market. Overnight money was very firm, leading to a bout of round tripping which has hardly stopped since the last banking make-up day. This seems to be the corporate treasurers' way of gaining some relief from crippling interest rates. The problems of this are that the banks see it as an abuse of the overdraft system and may try to stop the practice of borrowing on overdraft in order to lend into the money market by increasing commitment fees. At the same time it may keep interest rates higher than necessary for a longer period because of the distortion caused to the banking figures.

OTHER CURRENCIES

Oct. 24	£	$		£ Note Rates
Argentine Peso	4752-4772	1945-1950	Austria	33.25-33.65
Australia Dollar	2.0875-2.0915	0.8520-0.8525	Belgium	75.30-74.10
Brazil Cruzeiro	145.10-146.10	58.685-59.795	Denmark	14.06-14.26
Finland Markka	0.06 0.09	3.7086-3.7105	France	10.55-10.63
Greek Drachma	105.002-107.528	45.30-45.45	Germany	4.57-4.25
Hong Kong Dollar	12.37-12.30	5.0575-5.0585	Italy	2166-2260
Iran Rial	n.a.	n.a.	Japan	500 525
Kuwait Dinar(KD)	0.655-0.661	0.2622-0.2683	Netherlands	4.85-5.00
Luxembourg Frc.	72.80-73.00	29.88-29.90	Norway	12.08-12.28
Malaysia Dollar	5.2325 5.0450	2.1300-2.1410	Portugal	112½-136
New Zealand Dlr.	2.5000 2.5050	1.0200-1.0210	Spain	179¼-188½
Saudi Arab. Riyal	9.13 8.10	3.6010-3.3240	Sweden	10.51-10.46
Singapore Dollar	5.0625-6.0850	2.0780 2.0800	Switzerland	4.075-4.185
Sth. African Rand	1.8250-1.9275	0.7480 0.7490	United States	2.44½-2.46
U.A.E. Dirham	9.03 9.08	3.6885-3.6905	Yugoslavia	76-70

Rate given for Argentina is free rate.

GOLD

	Oct. 24		Oct. 23	
Gold Bullion (fine ounce)				
Close	$631-634	(£258-268¼)	$635-638	(£259¾-221)
Opening	$624-627	(£253¾-256)	$648-651	(£266¼-267½)
Morning fixing	$628	(£256.844)	$649.25	(£266.446)
Afternoon fixing	$633	(£258.473)	$234.50	(£259.244)
Gold Coins				
Krugerrand	$652-654	(£288½-227½)	$666-658	(£268-269½)
1/2 Krugerrand	$330-335	(£155¼-157¼)	$566-340	(£156-140)
1/4 Krugerrand	£167-172	(£28-70½)	$170-174	(£68-72)
1/10 Krugerrand	$68-71	(£28-28)	$69-72	(£28-30)
Mapleleaf	$646-650	(£264-296¼)	$650-654	(£266½-268½)
New Sovereigns	$159-161	(£65-66)	$162-165	(£66¼-67¼)
King Sovs.	$191-185	(£74-76)	$184-186	(£75-77)
Victoria Sovs.	$191-123	(£74-75)	$184-186	(£76-77)
French 20s	$165-168		$122-173	
50 pesos Mexico	$785-789		$794-799	
100 Cor. Austria	$630-624		$621-636	
$20 Eagles	$751-755		$756-760	

THE DOLLAR SPOT AND FORWARD

Oct. 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.4375-2.4650	2.4390-2.4410	0.63-0.53c pm	2.85	1.45-1.35 pm	2.29
Ireland†	2.0040-2.0119	2.0070-2.0100	0.10-0.20c dis	−0.89	0.10 pm-par	0.10
Canada	1.1676-1.1691	1.1676-1.1679	0.27-0.22c pm	2.51	0.61-0.56 pm	2.00
Nethlnd.	2.0195-2.0269	2.0200-2.0210	0.92-0.82c pm	5.17	2.30-2.20 pm	4.46
Belgium	29.88-29.93½	29.88-29.90	7½-6c pm	2.71	16-13 pm	1.94
Denmark	5.7235-5.7460	5.7235-5.7250	0.40ore pm-0.10dis	0.31	1.70-2.20dis	−1.36
W. Ger.	1.8630-1.8740	1.8655-1.8665	0.90-0.86pf pm	5.66	2.40-2.35 pm	5.09
Portugal	50.73-50.96	50.78-50.88	10-25c dis	−4.13	30-65 dis	−3.74
Spain	74.79-74.93	74.84-74.83	80-95c dis	−14.02	190-220 dis	−10.95
Italy	884.50-885.50	884.50-884.90	3½-4½ lire dis	−5.42	16-16½ dis	−7.37
Norway	4.9190-4.9345	4.9240-4.9250	1.20-0.70ore pm	2.31	2.80-2.30 pm	2.07
France	4.2960-4.3100	4.3030-4.3050	1.15-1.05c pm	3.07	2.33-2.23 pm	2.12
Sweden	4.2130-4.2180	4.2170-4.2180	0.55-0.70ore dis	−1.78	2.40-2.55dis	−2.35
Japan	212.10-212.90	212.45-212.55	0.85-0.70y pm	4.38	2.30-2.15 pm	4.16
Austria	13.20½-13.23¼	13.20½-13.21½	3.10-2.60gro pm	2.59	7.00-5.50 pm	1.89
Switz.	1.6660-1.6780	1.6745-1.6755	1.45-1.40c pm	10.21	3.55-3.50 pm	6.42

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Oct. 24	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.4375-2.4650	2.4390-2.4410	0.63-0.53c pm	2.85	1.45-1.35 pm	2.29
Canada	2.8420-2.8760	2.8430-2.8450	1.25-1.15c pm	5.06	3.00-2.90 pm	4.15
Nethlnd.	4.92-4.99	4.92½-4.93½	3¼-2¼c pm	7.91	9-8 pm	6.90
Belgium	72.86-73.65	72.90-73.00	40-30c pm	5.76	85-75 pm	4.39
Denmark	14.01-14.13	14.01-14.02	4½-3ore pm	3.21	4-2½ pm	0.91
Ireland	1.2030-1.2280	1.2040-1.2050	0.35-0.30p pm	3.24	0.52-0.47 pm	1.64
W. Ger.	4.54½-4.61	4.55-4.56	3¼-2½pf pm	6.23	8¾-7½ pm	7.12
Portugal	123.75-125.25	123.90-124.10	5c pm-30 dis	−1.21	par-90 dis	−1.45
Spain	182.50-183.90	182.55-182.65	150-205c dis	−11.66	380-485 dis	−9.47
Italy	2156-2176	2157-2158	3½-5½ lire dis	−2.36	23½-26¼ dis	−4.68
Norway	11.99-12.13	11.99½-12.00½	6⅞-4½ore pm	5.69	14½-12½ pm	4.44
France	10.47-10.60	10.47-10.48	5¼-4¼c pm	6.01	12½-11½ pm	4.58
Sweden	10.26-10.37	10.26-10.27	1ore pm-par	0.58	par-1 dis	−0.18
Japan	515-525	518-513	3.25-2.80y pm	7.00	8.95-8.45 pm	3.71
Austria	32.15-32.55	32.17-32.22	16-14gro pm	5.59	36-32 pm	4.22
Switz.	4.08-4.12	4.08½-4.09½	4½-3½c pm	12.11	11½-10½ pm	10.40

Belgian rate is for convertible francs. Financial franc 73.15-73.25. Six-month forward dollar 1.82-1.72c pm, 12-month 2.25-2.15c pm.

FT LONDON INTERBANK FIXING (11.00 a.m. OCTOBER 24)

3 months U.S. dollars		6 months U.S. dollars	
bid 13 15/16	offer 14 1/16	bid 13 7/8	offer 14

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Oct. 24	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	12¼-12½	15⅛-15⅜	11-12	9-9½	¼-½	8[illegible]-8[illegible]	11-11¼	14-17	4⅞-5	9¼-9¾
7 days' notice	18¼-18½	13⅛-13⅜	11-18	9⅛-9[illegible]	6-6½	8[illegible]-8[illegible]	11-11¼	17¼-19¼	13[illegible]-13[illegible]	10-10½
Month	17¼-17⅜	14[illegible]-14[illegible]	10⅝-11	9⅛-2¼	4¼-4⅝	8¾-8⅞	11[illegible]-11[illegible]	10-20	14¼-14⅜	8¾-10
Three months	16[illegible]-16[illegible]	13[illegible] 14⅛	11½-11[illegible]	9¼-8[illegible]	6⅜-5½	8[illegible]-8[illegible]	11⅝-11⅞	20¼-21¼	13¾-13⅞	9⅝-0⅞
Six months	15[illegible]-15[illegible]	15⅛ 14⅛	12⅜ 12¾	9[illegible]-9½	5½-5⅝	2¾-8⅛	12¼-18½	81½-82½	13¾-13⅞	8⅜-9⅝
One Year	14[illegible]-14½	13⅛ 13⅜	12⅝-13	9⅜-0[illegible]	6[illegible]-6[illegible]	9½-8⅝	12[illegible]-12[illegible]	23¼-23¼	13[illegible]-15[illegible]	9⅛-2⅜

Long-term Eurodollar two years 12¾-13 per cent; three years 12¾-13 per cent; four years 12¾-13 per cent; five years 12¾-13 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 13.35-13.45 per cent; three-months 13.60-13.70 per cent; six months 13.55-13.65 per cent; one year 12.95-13.15 per cent.

LONDON MONEY RATES

Oct. 24 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	18-23	17-19	—	—	—	16¾-18	—	—	—
2 days notice	—	—	16¼-12⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	19½-19⅜	12¼	—	18⅛	—	15⅞-18	—	—	—
One month	17-16¾	17⅛ 17¼	17¼-17⅛	17⅝-17¾	17[illegible]	17½-17¾	16½-15⅝	14⅜-14[illegible]	16¼-18⅝	17
Two months	16⅝-16⅜	16½ 16⅝	—	16¾-17¼	16[illegible]	17⅛	16½-17	14⅞	14⅜-14[illegible]	15[illegible]	16⅜
Three months	16[illegible]-19[illegible]	16¼ 16⅜	16¼	16-12⅛	16[illegible]	16½-17	14½	14[illegible]-14[illegible]	15⅜	16¼
Six months	15⅛-14[illegible]	12¼ 16⅜	15¼	14⅞-15⅜	15⅜	16	—	—	14[illegible]	14⅞
Nine months	14½-14⅜	14⅝-14⅜	—	14⅝-15	14[illegible]	15¼	—	—	—	—
One Year	14[illegible]-13[illegible]	14[illegible]-14[illegible]	14⅛	14⅛-14⅜	14¼	15	—	—	—	—
Two years	—	—	13⅝-16⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13½-13¾ per cent; four years 13½-13¾ per cent; five years 13½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15⅝ per cent; four-months trade bills 15½ per cent.

Approximate selling rate for one-month Treasury bills 14¼-14⅞ per cent; two-months 14¼-14⅞ per cent; three-months 14¾-14[illegible] per cent. Approximate selling rates for one-month bank bills 16 per cent; two-months 15[illegible] per cent; three-months 15½ per cent; one-month trade bills 16¾ per cent; two-months 16½ per cent and three-months 16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16½ per cent from October 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 13.3334 per cent.

CURRENCY RATES

Oct. 24	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.530141	0.558702
U.S. $	11	1.30176	1.37107
Canadian $	11.75	1.52150	1.60524
Austria Sch.	6¾	unavail'le	18.1530
Belgium F	12	38.2943	41.0534
Danish K	11	7.47861	7.87661
D'mark	7½	2.45598	2.66459
Guilder	8	2.63671	2.77506
French Fr.	9½	5.81619	5.90795
Lira	16½	1152.68	1215.74
Yen	8.25	274.411	291.490
Norwgn. Kr.	9	6.41833	6.75116
Spanish Pta.	8	97.6009	102.693
Swedish Kr.	10	5.48653	5.77935
Swiss Fr.	6	0.17693	2.29627

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p:	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
¶¶	F.P.	—	320	213	††Brint Invs.	330	+10	—	—	—	—
¶¶	F.P.	—	466	338	BP Restricted Trans.	458	−8	17.5	4.7	5.4	4.3
80	F.P.	—	80	70	††H'sk'th M'rcyc's50p	72	......	—	—	—	—
§16	F.P.	—	52	25	††Intervision Pfd. 10p	07	−1	—	—	—	—
97	F.P.	—	146	82	††DRE	126	+2	—	—	—	—
§150	F.P.	—	200	180	††Trust Securities 40p	200	+4	‡7.88	2.9	5.6	—

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
¶¶	F.P.	10/10	114p	107p	Foseco Minsep 8½% Cnv Red Cum2nd Prf	113p	......
¶¶	F.P.	10/10	111	102	Do 10% Conv Uns Ln 1995	111	......
§100p.	F.P.	—	119p	86p	††Intervision 7% Cnv. Pref.	109p	−1
¶	£10	—	16½	14½	Lee Valley Water 9½% Red. Pref. 1987	16½	......
‖	F.P.	31/10	117	106	Queens Moat 10½% Conv Uns Ln '89-91	108	......
‖	F.P.	10/11	116	103½	R.T.Z. 9½% Conv. Uns. Ln. '95-2000	103p	−1
✯	F.P.	—	97	95	S. Rhodesia 5% '78-81 Asstd.	96	......
✯	F.P.	—	70	61	Do. 4½% '77-82 Asstd.	69	......
✯	F.P.	—	48	61	Do. 5½% '80-85 Asstd.	63	+1
✯	F.P.	—	25	20½	Do. 4½% '87-92 Asstd.	22	......
§	Nil	—	8½pm	3½pm	TownCentreSecs.9%Cnv.Uns.Ln.'86-2000	8½pm	......
‖	F.P.	17/10	36⅝	35¼	Western Deep 12% Uns. Deb. '86-93	36⅝	......
—	—	—	11½	10	Do. Options	11	−⅛
✯	F.P.	—	312	275	Zimbabwe settlement annuity Reg.	275	......

"RIGHTS" OFFERS

Issue price p:	Amount Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing price p:	+ or −
54	Nil	—	—	12pm	15pm	Argyll Foods	16pm	+1
300	F.P.	20/10	5/18	584	542	BTR	384	+2
116	Nil	—	—	00pm	17pm	Brixton Estate	18½pm	+1
27	Nil	—	—	10pm	6pm	Bulgin (A.F.) A	8½pm	−½
660	F.P.	20/10	10/11	800	725	Burnett & Hallamshire	770	......
A$350	Nil	—	—	150pm	130pm	CRA	149pm	−3
157	Nil	—	—	40pm	17½pm	Cape Industries	40pm	+4
500	Nil	31/10	—	£3½pm	£2½pm	Commercial Bk. of Nr. East	£3½pm	+¼
R30	Nil	—	31/10	£23½pm	£11½pm	ΔEast Rand Prop. Units	£12¼pm	−1⅛
A$2	Nil	—	—	5pm	5pm	ElderSmith GoldbroughM'rt	5pm	......
90	Nil	—	—	43pm	33pm	Huntleigh	40pm	......
16	F.P.	—	—	52	87	††Intervision	29	......
100	F.P.	—	—	115	101	Do 7% Cnv Pref.	110	......
240	F.P.	6/10	14/11	325	330	M. L. Hldgs.	330	−20
290	P.P.	17/10	7/11	850	508	Mills & Allen	650	−20
26	Nil	—	—	98pm	93pm	Mucklow (A.J.)	95pm	−5
260	F.P.	—	—	398	317	††Pict Petroleum	396	+5
80	Nil	—	—	5pm	5pm	Pyke (Hldgs)	5pm	−2
370	F.P.	17/10	14/11	475	428	Ricardo	475	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1979. Q Gross. T Figures assumed. 1 Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. † Dealings under special rule. ‡‡ London Listing. ✯ Resulting from debt settlement scheme. Δ Linked units of 4 ord. and 1 option.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Gartmore Invest. Ltd. Ldn. Agts.
2, St. Mary Axe, London, EC3. 01-283 3531
Gartmore Fund Managers (C.I.) Ltd. (a)(h)
[illegible]

Quest Fund Mngmnt. (Jersey) Ltd.
PO Box 194, St. Helier, Jersey. 0534 27441
Quest Stlg. Fxd. Int. | £0.809 | 0.857
Quest Intl. Secs. | US$1.190 | 1.26
Quest Intl. Bd. | US$1.033 | 0.862
Prices on Oct. 22. Next dealing Oct. 29.

RBC Investment Managers Limited
PO Box 48, St. Peter Port, Guernsey. 0481-23021
Intl. Income Fd. | US$10.18 | 10.77

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a) (z)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	52.8	56.8	-1.5	2.95
Abbey Capital	44.7	48.3	+0.1	5.07
Abbey General	55.6	60.1	+0.1	5.22
Abbey Gilt & F.I. Tst.	115.0	121.1	+0.4	11.30
Abbey Income	33.9	36.7xd	+0.1	9.43
Abbey W'Wide Bd Tst.	88.4	93.5	-1.2	7.17
Abbey Inv.Tst.Fd.	49.0	52.9	-0.1	4.80
Equitas Prog. Tst.	85.7	92.7	-0.1	4.65

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	94.0	98.9	+0.7	12.28

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st.	88.9	95.1	-0.1	6.07
Brit. Inds. Fund	79.5	85.1	+0.1	6.27
Growth & Income	50.3	53.8	+0.1	5.17
Elect. & Ind. Dev.	43.9	47.8xd	+0.1	5.32
Allied Capital	94.6	101.2xd	+0.1	4.10
Hambro Fund	136.0	145.5	+0.1	5.95
Hambro Acc. Fund	180.8	193.5xd	+0.2	4.70
Income Funds				
High Yield Fd.	65.2	69.8	+0.3	9.60
High Income	77.8	83.2xd	+0.2	7.63
A. H. Eq. Inc.	45.8	49.0	....	7.47
Govt. Secs.	26.8	27.5	+0.1	11.31
International Funds				
International	33.5	35.8	-0.3	2.77
Pacific Fund	57.5	61.5	-0.5	1.98
Secs. Of America	65.3	69.9	-1.3	2.29
Specialist Funds				
Smaller Co.'s Fd.	54.4	58.2	+0.1	4.30
2nd Smlr. Co's Fd.	64.3	68.8xd	+0.4	4.35
Recovery Sits.	133.5	142.8xd	+1.7	5.83
Met. Min. & C'dty.	72.3	77.4xd	-0.9	4.65
Overseas Earnings	69.1	73.9	....	4.99
Exempt Funds				
Income Exempt	—	50.0	....	8.50
Far East Exempt	62.8	65.3	-0.7	2.30
Smaller Co. Exempt	82.3	86.4xd	+0.4	4.63
U.S.A. Exempt	113.1	117.6xd	-2.4	2.98

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	68.0	73.1xd	....	3.91

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	145.0	155.0	....	12.06

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	36.2	39.6xd	+0.1	11.40
North American	57.4	61.0xd	-1.3	2.82
Canadian Exempt*	63.0	66.6	....	3.54
Canadian Trust	61.9	66.9	-1.4	2.66
Mid Mount High Inc.*	48.6	51.4	....	9.38
Recovery	56.0	61.3xd	-1.1	6.02
Gilt Trust	45.2	47.2	+0.3	12.28

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	35.6	38.4	-1.3	0.97
Cres. Internat'l.	69.4	74.9	-0.9	2.34
Cres. High. Dist.	42.9	46.3	+0.2	10.52
Cres. Reserves	52.0	56.1	....	5.35
Cres. Tokyo	23.6	25.5	-0.4	0.73

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit. Tst.	23.8	25.2xd	....	12.04

Discretionary Unit Fund Managers
36/38 New Broad St., EC2M 1NU. 01-638 4485

Disc. Inc. Oct. 24	228.4	243.6	+5.5	5.60

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.4	19.3	....	8.70
Gt. Winchester O'seas.	24.8	27.6	....	4.05

Emson & Dudley Tst. Mngmnt. Ltd.
28b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	85.6	92.1	....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	87.7	92.3xd	-0.2	4.75

Fidelity International Management Ltd.
62-63 Queen St., London EC4 1A0 01-248 4891

American	30.0	32.5	-1.0	0.99
Gilt + Fixed Int.	25.5	26.9xd	+0.1	12.14
Growth + Income	31.5	33.9	+0.1	7.17
Special Sits.	38.2	41.1	....	2.11

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	36.0	38.7xd	....	1.97
Accum. Units	44.6	48.0xd	....	1.97
J. Finlay High Income	34.3	36.7xd	....	10.72
J. Finlay Euro. Fin.	20.9	22.5xd	....	3.75
Accum. Units	26.9	29.0xd	....	3.75
J. Finlay Fd. In. Tst.	38.6	41.5xd	....	6.01
Accum. Units	48.8	52.5xd	....	6.01

Prices on Oct. 22. Next dlg. Oct. 29.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen. Oct. 20	67.6	72.2	....	0.91
Am. T'around Oct. 20	62.0	66.2	....	1.80
Capital Tst.	58.8	62.8xd	+0.2	5.34
(Accum. Units)	61.2	65.4	+0.2	5.34
Extra Income Trust	51.0	54.4	+0.4	10.03
Income Tst.	40.0	42.6	....	8.33
Int. Growth Fd.	55.0	58.8xd	-0.6	1.94
(Accum. Units)	59.0	63.0	-0.8	1.94

Friends' Provdt. Trust Mgrs.♥

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
See also Stock Exchange Dealings.

American	56.4	60.1	-1.6	2.21
(Accum. Units)	59.9	63.8	-1.7	2.21
American Recovery	59.8	63.4	-1.2	1.75
(Accum. Units)	60.8	64.5	-1.3	1.75
Australasian	121.2	132.4	-2.7	0.61
(Accum. Units)	128.7	138.3	-2.7	0.61
Commodity	136.1	144.9	+0.9	3.00
(Accum. Units)	158.1	168.4	+1.0	3.00
Compound Growth	166.5	180.7	+0.2	3.47
Conversion Growth	118.2	125.9	-0.1	2.75
Conversion Inc.	74.7	79.6	-0.3	9.88
Dividend	133.1	144.4	-0.3	9.29
(Accum. Units)	285.3	309.6	-0.5	9.29
European	66.5	70.8	-0.2	3.46
(Accum. Units)	71.9	76.6	-0.2	3.46
Extra Yield	82.0	89.0xd		10.62
(Accum. Units)	128.5	139.4	-0.1	10.62
Far Eastern	93.7	98.8	-1.8	1.51
(Accum. Units)	106.8	113.7	-2.2	1.51
Fund of Inv. Tsts.	90.9	97.7	+0.5	4.68
(Accum. Units)	120.0	129.0	+0.6	4.68
General	227.8	244.9	+0.1	5.68
(Accum. Units)	385.7	414.6	+0.1	5.68
High Income	110.8	128.0	+0.1	10.09
(Accum. Units)	213.1	226.9	+0.2	10.09
Japan	138.5	147.5	-4.1	0.73
(Accum. Units)	144.7	154.1	-4.4	0.73
Magnum	379.7	400.6	-1.0	4.31
(Accum. Units)	515.4	543.7	-1.3	4.31

Scottish Equitable Fnd. Mgrs. Ltd.♥
28 St. Andrews Sq. Edinburgh 031-556 9101

Income Units	62.1	66.1xd	....	5.23
Accum. Units	79.1	84.1xd	....	5.23

Dealing day Wednesday.
For Sebag see Carr, Sebag Unit Trust Managers.

Security Selection Ltd.
Regis Hse., King William St., EC4. 01-623 4951.

Unvl Gth Tst Acc.	37.4	39.8	....	7.54
Unvl Gth Tst Inc.	28.8	30.7	....	7.54

Stewart Unit Tst. Managers Ltd.(a)
45, Charlotte Sq., Edinburgh. 031-226 3271

†Stewart American Fund				
Standard Units	77.7	82.7	....	1.50
Accum. Units	85.4	91.0	....	—
Withdrawal Units	54.7	58.2	....	—
*Stewart British Capital Fund				
Standard	178.6	189.0	....	6.79
Accum. Units	207.9	220.0	....	6.79

Dealing †Tues. & Fri. *Wed.

Sun Alliance Fund Mngt. Ltd.
Sun Alliance Hse., Horsham. 0403 64141

Ex. Eq. Oct. 8	£318.40	335.20	....	4.87
♥The Family Fd.	130.5	138.8	-0.3	5.01

Target Tst. Mngrs. Ltd.♥(a)(g)
31, Gresham St., E.C.2. Dealings: 0296 5941.

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1A	10	Aust. 5½pc '81-82	90½	29.8	6.10	13.17
1J	10	Do. 6pc 1981-83	85	30.4	7.26	12.93
1Ja	1J	N.Z. 7¼pc 1988-92	67½	2.6	11.11	13.13
15J	15D	Do. 7½pc '83-86	82½	9.40	9.39	12.57
1M	1N	Sth. Africa 9½pc 79-81	94½xd	26.9	10.82	15.15
1A	10	S. Rhod. 2½pc Non-Ass.	97	3.66	—	30.33
15Ja	15J	Do. 6pc '78-81 H.-As.	147	12.65	—	26.56

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Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—	Anglo-Dominion	155	—	—	—	—
—	Barymin	56	—	—	—	—
May	Burma Mines 10p	15	14.4	0.62	1.1	6.0
—	Colby Res. Corp.	325	—	—	—	—
Aug. Feb.	Cons. Murch. 10c.	260	30.6	t030c	1.8	6.6
—	††Hemerdon 10c.	95	—	—	—	—
—	Northgate C$1	500	977	—	—	—
Jan. July	R.T.Z.	472	29.9	t16.0	5.2	4.8
—	Robert Mines	38	—	—	—	—
—	††SPO Minerals 10p	128	—	—	—	—
—	Sabina Inds. C$1.	40	—	—	—	—
—	††SWCM 10p	39	—	—	—	—
—	Tara Expln. $1	540	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ǁ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+/-	IRISH	Price	+/-
Albany Inv. 20p	37	......	Conv. 9% '80/82	£93	......
Bertam	15	......	Nat. 9¾% 84/89	£81½	-¼
Bdg'wtr. Est. 50p	490	......	Fin. 13% 97/02	£87¾	-¼
Craig & Rose £1	£11	......	Alliance Gas	51	......
Fife Forge	37	......	Arnott	210	......
Finlay Pkg. 5p	27	......	Carroll (P.J.)	80	......
Graig Ship. £1	£22	......	Clondalkin	106xd	......
Higsons Brew	67	......	Concrete Prods.	85	......
Holt (Jos) 25p	280	+7	Heiton (Hldgs.)	33	-1
I.O.M. Stm. £1	158	......	Ins. Corp.	310	......
Pearce (C. H.)	560	......	Irish Ropes	37	......
Peel Mills	49	......	Jacob	33	......
Sheff. Refrshmt	95	......	T.M.G.	62	+2
Sindall (Wm.)	141	......	Unidare	80	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	7	I.C.I.	27	Utd. Drapery	6½
ODC Intl.	6	"Imps"	4½	Vickers	12
B.S.R.	4½	I.C.L.	14	Woolworths	5½
Babcock	8	Inveresk	4		
Barclays Bank	34	Ladbroke	15	**Property**	
Beecham	10	Legal & Gen.	15	Brit. Land	7
Blue Circle	25	Lex Service	8	Cap. Counties	9
Boots	16	Lloyds Bank	24	Land Secs.	24
Bowaters	15	"Lofs"	3½	MEPC	17
B.A.T.	20	London Brick	6	Peachey	13
Brown (J.)	6	Lucas Inds.	27	Samuel Props.	12
Burton 'A'	10	"Mams"	14	Town & City	2
Cadburys	5½	Mrks. & Spncr	0		
Courtaulds	0	Midland Bank	26	**Oils**	
Debenhams	8	N.E.I.	5	Brit. Petroleum	32
Distillers	17	Nat. West. Bank	27	Burmah Oil	20
Dunlop	7½	P & O Dfd.	10	Charterhall	10
Eagle Star	15	Plessey	14	KCA	11
F.N.F.C.	2¾	Racal Elect	22	Premier	13
Gen. Accident	21	R.H.M.	4½	Shell	35
Gen. Electric	30	Rank Org.	15	Tricentrol	40
Glaxo	18	Reed Intnl.	16	Ultramar	35
Grand Met.	12	Sears	5		
G.U.S. 'A'	34	Tesco	6	**Mines**	
Guardian	23	Thorn	23	Charter Cons.	14
G.K.N.	20	Trust Houses	12	Cons. Gold	40
Hawker Sidd	15	Tube Invest.	23	Lonrho	0
House of Fraser	15	Unilever	40	Rio T. Zinc	35
		U.D.T.	5½		

"Recent Issues" and "Rights" Page 20

FINANCIAL TIMES
Monday October 27 1980

Zambia holds 12 in swoop on former leaders

BY MICHAEL HOLMAN IN LUSAKA

THE ZAMBIAN authorities have arrested at least 12 prominent citizens in one of the toughest internal security operations since independence in 1964.

Though information remains sparse there is speculation that the Zambian Government has moved to forestall a coup attempt. There has been no official explanation of the arrests, which were on Friday, but Mr. Wilted Phiri, the Minister of Home Affairs, told the State-owned Sunday Times that "mopping-up operations" were continuing.

Among those detained on the 16th anniversary of independence were Mr. Patrick Chisanga, a former Cabinet Secretary; Mr. Edward Shamwana, a prominent lawyer; Mr. Valentine Musakanya, a past Bank of Zambia Governor; and Mr. Elias Chipimo, former High Commissioner in London.

The newspaper also reported that "a number of Zambia Army officers, including a colonel, were also detained." but there has been no confirmation of this.

The arrests followed a dusk-to-dawn curfew imposed without explanation on most towns on Thursday.

There was a shoot-out 12 days ago between Zambian soldiers and an armed gang several dozen strong on a farm 10 miles south of Lusaka.

It is not known what connection, if any, there is between the shooting and Friday's arrests.

President Kenneth Kaunda, though he has kept several public engagements in the past few days, had not commented last night on these developments.

Lusaka and other towns appear calm, but police and army roadblocks have been mounted on most main roads leading out of the capital.

There have been unconfirmed reports of further arrests in the Copper Belt, but mining officials said that the State-owned mines, responsible for more than 90 per cent export earnings, were functioning normally.

Most observers and diplomats agree that the events represent Zambia's most serious internal political crisis since 1971, when the late Simon Kapwepwe, Vice-President, resigned to form the United Peoples Party. Within a few months the UPP was banned and Mr. Kapwepwe and other senior party officials were detained.

Mr. Kapwepwe's support came primarily from the powerful Bemba tribe, nearly a third of Zambia's 5.5m population, who are particularly influential on the copperbelt.

When he died last year Mr. Kapwepwe left no obvious successor, but several men arrested on Friday are Bembas.

An equally significant factor may be the reputation of some of those arrested as outspoken pro-Western anti-socialist critics of the Government and of the ruling United National Independence Party, the sole legal political party.

A combination of economic difficulties, mounting trade union hostility and internal dissent present Dr. Kaunda with a demanding test of his leadership.

Depressed copper prices forced Zambia to turn to the International Monetary Fund in 1978 for a two-year 315m (£168m) special drawing rights programme which ended earlier this year. But continuing low copper prices and a fall in the price of cobalt have left the economy in serious difficulties.

Symptoms include sporadic shortages of essential commodities and 18-month arrears in import payments and remittances, totalling over Kwacha 300m (£161m) and rising.

For two years Zambia has imported maize, the staple food, from South Africa.

Farmers estimate that the 1980-81 crop will again fall short of domestic needs, possibly by as much as 250,000 tonnes.

Leading trade unionists, angry about wage restrictions and a high inflation rate, have seldom been so critical of government.

Carter point ahead, says poll

By Our Foreign Staff

A SECOND national public opinion poll has found that President Carter has at least pulled level with Mr. Ronald Reagan, with just 10 days to go before the U.S. Presidential Election.

The Newsweek magazine survey, like that of the New York Times last week, actually put Mr. Carter one point ahead, leading Mr. Reagan by 41 to 40 per cent, with Mr. John Anderson, the independent, slipping further back at 10 per cent.

Preference

The margin is statistically insignificant, though it suggests that Mr. Carter, by capitalising on his contention that Mr. Reagan is the candidate more likely to involve the U.S. in a foreign war, is making headway among the mass of independent voters who are making up their minds at the last moment.

Moreover a national preference poll does not take account of the fact that the election of the President is determined by the electoral college system, whereby whoever carries a state commands all that state's votes in the college.

Given the apparent wider regional spread of Mr. Reagan's support, some experts now believe that Mr. Carter could win a majority of the votes cast but still lose the White House.

Both Mr. Carter and Mr. Reagan were in seclusion yesterday, preparing for their much-awaited televised debate tomorrow night in Cleveland.

Guarded

Over the weekend, both picked up the endorsements of several major newspapers, though the terms in which they were couched were guarded in the extreme.

The New York Times, for example, in choosing Mr. Carter, caustically observed that "Ronald Reagan is the better salesman. Jimmy Carter keeps dropping his sample case on his own foot but it contains better goods."

The Chicago Tribune was hardly more enthusiastic in its endorsement of Mr. Reagan.

Carter questions, Page 2

THE LEX COLUMN

British Aerospace on the runway

Early in the New Year, the Government will probably offer about half its shares in British Aerospace for sale on the stock market. It is going to make a fat profit. Compensation for the three aerospace companies which were nationalised in 1977 has amounted to roughly £160m, and the Government could get most of that back through the sale of half its shares. No wonder GEC and Vickers, as forced sellers, feel aggrieved.

The necessary paper work should be completed in a few weeks' time, and Kleinwort Benson—the merchant bank handling the sale—will probably want to get Christmas out of the way before pulling the trigger. But with the stock market in a buoyant mood and the Government anxious to get the money in by the end of its financial year, there should be no banging around thereafter.

Pricing the offer will be very tricky, and not just because there are no precisely comparable companies anywhere in the world. The group has a solid record and consistently makes good profits—more than 8 per cent on sales and well over 20 per cent on assets employed. But it is currently involved in two major projects on the civil aircraft side, the BAe 146 and the Airbus A310, which will have a major impact on its finances over the short term.

British Aerospace's share of the development costs of the 146 could work out very roughly at £250m. Costs so far have been written off in full, and provisions against launching costs generally during the next two or three years could be rather higher than the £39m charged to profits in 1979. The aircraft, which should be in full production by 1983, has yet to win many orders but the group expresses confidence that it will find a profitable niche in the market place.

Meanwhile, the Airbus now accounts for roughly three-fifths of the workload on the civil side and is unlikely to start producing a proper return for another four or five years.

Fortunately the group currently has a very strong balance sheet — and anyway three-quarters of its profits comes from military work, where the order books are strong and so is the cash flow. So it expects to finance about half its exceptionally high capital needs over the next four or five years with internally generated funds.

Equity in the last balance sheet amounted to £365m, and the numbers could be rather bigger in their restated form. Loan capital is set to rise sharply from its current modest level, but is expected to remain comfortably lower than the figure for shareholders' funds and to decline sharply from the mid-1980s.

Although trading profits are rising, the cost of the civil aircraft developments will probably leave attributable earnings little changed in the next year or two. In 1979, the group made £41m after launching costs and a nominal tax charge. Current cost adjustments, which will be included in the prospectus, will take a big bite out of earnings. So given the big spending programme, the group may not want to spend much more than, say, £15m on dividends in the short term.

Among the U.S. aerospace manufacturers, Boeing currently yields about 4 per cent and some of the smaller defence specialists offer even lower returns. For its part, British Aerospace has an unusually wide range of products, some of which could be very glamourous in stock market terms. No doubt Kleinwort will be stressing the growth prospects of the tactical guided weapons business, which accounts for over a quarter of the group's sales and includes a lot of fancy electronics.

At the same time, British Aerospace has a lot to prove on the civil side. And there is a political risk, even though the Government only has the right to appoint two Board directors, and every effort will be made to spread the shares widely among employees. As a very rough guide, half the shares could fetch a bit under £150m.

Currency translation

Finance directors are once again keeping an anxious eye on the sterling exchange rate as the end of the year approaches. Since last January 1 sterling has risen by 10 per cent against the U.S. dollar and by 12½ per cent against a trade-weighted basket of major currencies. This is the tricky background against which the Accounting Standards Committee has launched, over the weekend, its new exposure draft on accounting for foreign currency translation, ED 27.

Companies do not have to wait until the eventual standard is produced before going over to the ED 27 basis, and many will be considering whether to do so for their next accounts. In fact it probably does not make all that much difference for most UK companies, but it does cut down the scope for juggling figures between the profit and loss account and the balance sheet.

Several differences of detail are evident between ED 27 and the new U.S. draft standard which is currently being debated across the Atlantic. Thus ED 27 calls for a different treatment when the affairs of foreign subsidiaries are deemed to be very closely linked with those of the parent company. Apparently the U.S. draft has run into criticism on some aspects of the way it deals with intra-group trading, and the U.S. and UK versions could yet move closer together in their final forms.

Iran adjourns hostages decision

BY OUR FOREIGN STAFF

THE IRANIAN Parliament adjourned yesterday after three hours of debate without taking any decision of the fate of the U.S. embassy hostages.

The debate is expected to resume today, based on the report of a special parliamentary committee into how the issue might be resolved.

No official announcement was made at the end of yesterday's session and there has been no public indication of the terms on which the report suggests the 52 Americans held for almost a year might be released.

At the start of yesterday's debate a resolution that the session should be closed on security grounds, was quickly carried on a show of hands. A second resolution that all debate on terms for releasing the hostages should be postponed until the end of the Gulf war with Iraq produced several angry speeches condemning "U.S. collusion with Iraq."

Feelings among the deputies were running high after reports of an Iraqi guided missile attack on the southern city of Dezful in which 100 people are said to have died.

One deputy said the assembly should, in view of the attack, postpone all debate on whether to "release, imprison or execute the hostages." In the vote, a narrow majority was found to be in favour of continuing discussion of the report.

The size of the minority, 87 out of the 185 members present, must be seen as evidence of hardening attitudes in the parliament as the war with Iraq goes into its second month. When the same proposal was made in the first week of the fighting, only 15 deputies voted in favour of it.

One deputy said, after yesterday's session, that the complete report of the special committee had been read and that the four conditions set by Iran's revolutionary leader Ayatollah Khomeini were mentioned in it. Another deputy said no demand for an apology from the U.S. featured in the report.

A proposal by the militant student captors of the hostages that Iran should also demand the withdrawal of all U.S. forces from the Gulf was reported to have been rejected as "unrealistic." No details were forthcoming on the nature of any extra Iranian demands.

Further evidence that the Iranian position is hardening came from Hojatolislam Hashemi Rafsanjani, speaker of the parliament, who said before the closed session: "In our view some of the hostages are certainly spies."

His comments were echoed by other deputies and give weight to speculation among Western diplomats in Tehran that Iran may release most but not all of the 52 hostages.

An American official said of this possibility: "It would give us real problems, but as we have nothing in front of us we are not considering any particular plan."

Mr. Walter Mondale, the U.S. Vice-President, said in a television appearance yesterday that there was "nothing on which to base any undue optimism."

Mr. Mondale denied that preparations had been stepped up to receive the hostages at the U.S. military hospital in Wiesbaden, West Germany.

Iran's state radio reported that Dezful had been attacked with Soviet-made Frog-7 guided missiles. This was the second missile attack reported on the city and the nearby major air-base. The radio also said there was continued hand-to-hand fighting in Khorramshahr.

● Japanese journalists in Tehran said the Iranian authorities had given permission for the evacuation of all 750 Japanese staff working on the joint Iran-Japan petrochemical complex in Bandar Khomeini. The first group of 30 engineers travelled out of Iran via Turkey last Friday.

Iraq warns U.S., Page 2

Continued from Page 1

IATA

"The unrelenting escalation of costs outside airline control poses enormous problems for airline managements as they strive to keep the real price of air travel at current levels—and indeed to bring it even lower in response to government and consumerist pressures.

"In real terms, the price of air travel to the public has decreased by as much as 50 per cent in the past 20 years.

"However, it is inevitable that the future level of air fares will increasingly be determined, directly and indirectly, by the cost of energy. At best we can expect fuel prices to continue rising in line with inflation and currency fluctuations."

Mr. Hammarskjold points out that in 1979 the IATA members collectively earned revenues of $50.6bn (£20.73bn), up 18 per cent.

But their costs went up by more than 23 per cent to $50.45bn (£20.67bn) compared with the previous year, leaving a surplus before taxes, interest and other non-operating items of $150m. After allowing for those items, the net result was a surplus of only $100m "or only 1 cent for every $5 of revenue."

These results were produced after carrying record traffic—390m scheduled passengers (roughly equivalent to 70 per cent of the West's total population). The increase in traffic was 7.5 per cent for the year.

Inflation hits top managers' pay

BY NICHOLAS LESLIE

WHILE AVERAGE earnings have been increasing at a greater rate than inflation, salaries of top company directors have not. This is the finding of a survey on top management pay in the UK published today by Charterhouse Group, the banking and industrial holding concern.

The survey shows, however, that among the 1,250 companies studied the number of chairmen or highest-paid directors earning more than £75,000 has more than doubled in a year from 14 to 30. Also, more than half of these categories of director now earn above £25,000 a year.

The median increase in earnings for top directors in companies reporting to the end-December, 1979, was 13 per cent and in companies reporting to March, 1980, about 15 per cent. The corresponding movements in the Retail Price Index were 18.4 and 19.8 per cent. Average earnings rose by 19.7 and 20.3 per cent respectively.

The all-industry median figure, however, masks substantial variations between individual companies and between different industries. In companies reporting to March 1980, for example, the most generous 25 per cent paid increases of 22 per cent or more, while the least generous 25 per cent paid companies reporting the 1979 rises of 9 per cent or less.

Chairman or Highest Paid Director earning over £100,000 in the Commercial and Industrial Group

Company	Earnings £	Turnover £m
Adwest	122,269	83
BP	120,385	22,706
Beecham	103,192	1,028
Comet Radiovision	101,000	168
Esso Petroleum	102,000	3,112
Heron Cpn.	123,000	315
ICI	124,380	5,368
Lee Cooper	126,513	70
Plessey	133,944	751
Racal Electronics	103,592	263
Shell Transport	218,305	14,590
Wedgwood	115,694	97

The survey, formerly produced by Keyser Ullmann, the banking group, which has now been taken over by Charterhouse, highlights some of the considerable variations in salary increases between different industries. For example, among calendar year and for the 12 months to March, 1980, it was retail and distribution companies which paid the biggest salary increases—averaging 18 per cent—while electrical and mechanical engineering groups were at the bottom with 10 per cent.

Ironically, perhaps, in the light of the £10m loss it has just announced, ICI accounted for 12 of only 24 employees below Board level reported by six companies to be earning over £50,000 a year. However, it is pointed out that this is unlikely to be the complete picture since, for example, some companies only disclose highest paid employees in the parent company, and not subsidiaries.

The highest level of earnings was more than £100,000 a year. The number had more than doubled to 12 among companies reporting to March, 1980. A number of these directors may be working largely overseas, or rewarded on an international scale to reflect overseas duties, says the survey.

Top Management Remuneration in the UK, produced by Charterhouse Group, published by Monks Publications, Debden Green, Saffron Walden, Essex, price £52.50 cheque with order, £58.50 invoiced price.

Continued from Page 1

Trade

Italian quotas on Japanese cars is not politically possible, the intention is to put forward at today's meeting with Mr. Okita a long list of lesser products from which these restrictions could be removed.

Such a step, it is said, would help strengthen the Japanese Government's case for securing greater restraint of exports of sensitive products to the EEC.

Depending on the outcome of Mr. Okita's meetings with Herr Wilhelm Haferkamp, EEC External Relations Commissioner, and Viscount Etienne Davignon, the Industry Commissioner, a draft directive could be submitted to the Council of Ministers by the Commission next month.

This would give the Commission power to open substantive negotiations.

Civil servants 'sit' on boards

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A NEW method of increasing civil servants' understanding of business has been developed by the Department of Industry and the Treasury in partnership with three big companies—United Biscuits, Delta Metal and Tunnel Holdings.

Each of these companies has invited one or more civil servants to attend board meetings of subsidiary businesses, either as observers or as participating non-executive directors.

The scheme was started two years ago by Sir Peter Carey, permanent secretary at the Department of Industry. It has not been publicised, partly because some of the companies did not want attention drawn to the experiment in its early days.

Now Sir Peter is trying to persuade a further three or four companies to join the scheme. The seven civil servants involved so far have been from the London headquarters of the Industry Department and the Treasury. Regional staff are likely to be included soon.

"I regard the scheme as a useful way to give civil servants experience of industry without there being detached from their day to day work," says Sir Peter. "I hope to extent the arrangements in a modest way, and would eventually like to have about a dozen civil servants involved at any one time, each being appointed for one or two years."

Civil servants have been seconded on a temporary, full-time basis to the private sector for some years, but it is often difficult for medium-sized companies to find them sufficiently useful work to do.

The idea of involving civil servants in board meetings was developed by Sir Peter, first with Sir Hector Laing, chairman of United Biscuits, and later with Mr. Derek Birkin, chairman of Tunnel. Sir Peter and Sir Douglas Wass, permanent secretary of the Treasury, made similar agreements with Lord Caldecote, chairman of Delta.

Some company chairmen have not joined the scheme because they, or their top managers, sought to exclude civil servants from their boardrooms. Care has been taken to ensure that the civil servants would get on well with their board colleagues and that there would be no conflict of interest between their activities in the boardrooms and in Whitehall.

"I believe the scheme is very worthwhile," says Sir Hector Laing. "We live in too divided a society and we should take whatever steps we can to integrate the thinking and understanding of Government and industry."

Civil servants move into industry, Page 7

Weather

UK

CLOUDY with outbreaks of rain and sunny intervals. Temperatures near normal.

London, S.E. England, E. Midlands

Dry at first with sunny intervals and rain later. Max. 13C (55F).

W. Midlands, Channel Islands, S.W. England, Wales, N.W. England

Cloudy with outbreaks of rain, may become brighter. Max. 14C (57F).

I. of Man, S.W. Scotland, Argyll, N. Ireland

Mainly cloudy, outbreaks of rain, becoming brighter. Max. 12C (54F).

Central Highlands, N. Scotland, Orkney, Shetland

Cloudy with outbreaks of rain. Max. 11C (52F).

Outlook: Sunny intervals and showers, becoming cooler.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	20	68	Lisbon	S	17	63
Algiers	F	21	70	Locarno	S	18	64
Amsdm.	F	10	50	London	C	12	54
Athens	F	23	73	L. Ang.	C	21	70
Bahrain	S	30	86	Luxmbg.	S	7	45
Barcina.	S	20	68	Madrid	S	17	63
Beirut	F	24	95	Majorca	S	20	68
Belfast	C	12	54	Malaga	S	22	72
Belgrd.	R	11	52	Malta	F	18	64
Berlin	S	9	48	M'chstr	C	11	52
Biarritz	C	17	63	Melbne	S	26	79
Bmghm.	R	11	52	Milan	S	16	61
Blackpl.	C	11	52	Mntreal	Sl	2	36
Bordx.	C	14	57	Moscow	C	12	54
Boulgn.	R	9	48	Munich	C	9	48
Bristol	C	14	57	Nairobi	C	27	81
Brussels	C	10	50	Naples	F	17	63
Budpst.	F	11	52	Nwcstl.	C	9	48
B. Aires	S	21	69	N. York	S	7	45
Cairo	S	30	86	Nice	S	20	68
Cardiff	C	14	57	Nicosia	S	24	75
Cas'b'ca	S	21	70	Oporto	S	21	70
Chicago	C	4	39	Oslo	S	2	36
Cologne	C	11	52	Paris	S	10	50
Cpnhgn.	S	5	41	Perth	F	17	63
Corfu	R	16	61	Prague	F	7	45
Dublin	R	12	54	Reykjvk.	C	4	39
Dbrvnk.	C	17	63	Rhodes	F	24	75
Ednbgh.	C	11	52	Rio J'o	S	26	79
Faro	S	20	68	Rome	S	17	63
Florence	S	17	63	Salzbrg.	C	7	45
Frankft.	C	10	50	S Folego	S	14	58
Funchal	C	22	72	Singapr.	F	31	88
Geneva	S	10	50	Stckhm.	S	−1	30
Gibrltr.	S	21	70	Strasbg.	F	11	52
Glasgow	C	11	52	Sydney	S	21	70
G'nsey.	Fg	14	57	Tangier	S	23	73
Hlsnki	Sn	2	28	Tel Aviv	S	25	77
H. Kong	F	23	73	Tenerife	F	18	64
Innsbrk.	F	10	50	Tokyo	S	18	64
Invrnss	S	12	54	Toronto	C	9	48
I.o.Man	C	12	54	Tunis	R	18	64
Istanbul	S	24	75	Valencia	S	23	73
Jeddah	S	34	93	Venice	S	16	61
Jersey	C	14	57	Vienna	F	9	48
Jo'burg	S	18	65	Warsaw	F	6	43
L. Plms.	F	23	73	Zurich	S	9	48

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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